

Dallas Independent School District



Our Mission:
Educating
Students
for
Success

Annual Financial Report
For Fiscal Year Ended
June 30, 2011

3700 Ross Avenue, Dallas, TX 75204
972-925-3700 www.dallasisd.org



Dallas Independent School District

Annual Financial Report

**For the Fiscal Year Ended
June 30, 2011**

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**Dallas Independent School District
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For the Fiscal Year Ended June 30, 2011**

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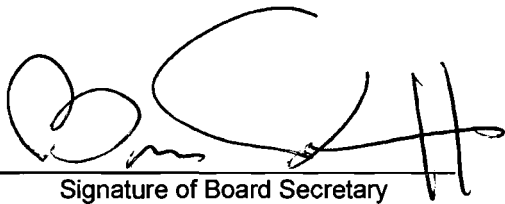
Certificate of the Board

Dallas Independent School District
Name of School District

Dallas
County

057-905-10
County-District-
Regional No.

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and approved for the fiscal year ended June 30, 2011, at a meeting of the board of school trustees of such school district on the 17th day of November 2011.



Signature of Board Secretary



Signature of Board President

INDEPENDENT AUDITORS' REPORT

Members of the Board of Trustees
Dallas Independent School District
Dallas, TX

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Dallas Independent School District (the "District"), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Dallas Independent School District's management. Our responsibility is to express opinions these financial statements based on our audit. We did not audit the financial statements of the Dallas Education Foundation, a discretely presented component unit of the District as of and for the year ended December 31, 2010. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Dallas Education Foundation, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Dallas Education Foundation were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the respective financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

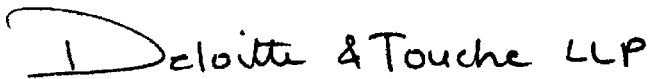
In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Dallas Independent School District, as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note A to the basic financial statements, the District implemented GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions".

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2011, on our consideration of the Dallas Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the Budgetary Comparison Schedule for the General Fund are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. This supplementary information is the responsibility of the Dallas Independent School District's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. This supplementary information is the responsibility of the Dallas Independent School District's management. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Exhibits J-1 through J-5 as required by the Texas Education Agency are presented for purposes of additional analysis and are not a required part of the basic financial statements. This supplementary information is the responsibility of the Dallas Independent School District's management. These schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Deloitte & Touche LLP

November 17, 2011

**Dallas Independent School District
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2011**

This section of Dallas Independent School District's (the District's) annual financial report reflects management's discussion and analysis of the District's financial performance for the fiscal year ended June 30, 2011. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- On June 30, 2011, the District's assets exceeded its liabilities by \$547,424,864, an increase of 1.9% over the prior year. Of total net assets, \$178,932,482 was unrestricted.
- During the year, the District had expenses that were \$10,135,042 less than the \$1,726,319,454 generated in tax and other revenues for the governmental programs.
- The General Fund ended the year with a fund balance of \$135,098,259, an increase of \$34,999,008. The net increase in fund balance is 3% of total General Fund expenditures for the year. Approximately 76% of this increase is attributable to the \$26.5 million received from the Education Jobs Fund (Ed Jobs) Program.
- In May 2008, voters approved a \$1.35 billion bond program. During the year, \$226.8 million was issued under this authorization. The net proceeds were used to refund \$239.1 million of the District's debt. In December 2010, \$950.3 million was issued of taxable bonds under the American Recovery and Reinvestment Act (ARRA) of 2009, which will be used for school building construction and renovation. The District also issued and redeemed \$80.0 million in short term Tax Anticipation Notes to fund cash flow requirements during the year. In total, the District's long term debt increased by \$915.9 million from the prior year, an increase of 51.8%.
- The implementation of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, altered the District's classification of its Special Revenue Funds, which resulted in the reclassification of Campus Activity Funds to the General Fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in *more detail* than the government-wide statements. The *governmental fund* statements reflect how *general government* services were financed in the *short term* as well as what remains for future spending. The *proprietary fund* statements offer short and long-term financial information about the activities the District operates like businesses. The *fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

The financial statements also include *notes* that provide more detailed information regarding the financial statements. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

**Dallas Independent School District
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2011**

Exhibit 1 summarizes the major features of the District's financial statements, including the portion of the District's government they cover and the types of information they contain. The remainder of this overview section explains the structure and contents of each of the statements.

**Exhibit 1
Major Features of the District's Government-Wide
and Fund Financial Statements**

Type of Statement	Government-Wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	<i>Entire District's government (except fiduciary funds) and the District's component units</i>	<i>The activities of the District that are not proprietary or fiduciary</i>	<i>Activities the District operates similar to private businesses</i>	<i>Instances in which the District is the trustee or agent for someone else's resources</i>
<i>Required financial statements</i>	<ul style="list-style-type: none"> • <i>Statement of net assets</i> • <i>Statement of activities</i> 	<ul style="list-style-type: none"> • <i>Balance sheet</i> • <i>Statement of revenues, expenditures and changes in fund balances</i> 	<ul style="list-style-type: none"> • <i>Statement of net assets</i> • <i>Statement of revenues, expenses and changes in fund net assets</i> • <i>Statement of cash flows</i> 	<ul style="list-style-type: none"> • <i>Statement of fiduciary assets and liabilities</i>
<i>Accounting basis and measurement focus</i>	<i>Accrual accounting and economic resources focus</i>	<i>Modified accrual accounting and current financial resources focus</i>	<i>Accrual accounting and economic resources focus</i>	<i>Accrual accounting and economic resources focus</i>
<i>Type of asset/liability information</i>	<i>All assets and liabilities, both financial and capital, short-term and long-term</i>	<i>Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included</i>	<i>All assets and liabilities, both financial and capital, and short-term and long-term</i>	<i>All assets and liabilities, both short-term and long-term</i>
<i>Type of inflow/outflow information</i>	<i>All revenues and expenses during the year, regardless of when cash is received or paid</i>	<i>Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter</i>	<i>All revenues and expenses during year, regardless of when cash is received or paid</i>	<i>Not applicable to agency fund</i>

**Dallas Independent School District
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2011**

Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes *all* of the District's non-fiduciary assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities on the accrual basis regardless of when cash is received or paid.

The two government-wide statements report the District's *net assets* and how they have changed. Net assets, the difference between the District's assets and liabilities, is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's tax base.

The government-wide financial statements of the District are comprised of the *governmental activities*. The District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services, general administration, and plant maintenance and operations. Property taxes and grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds* rather than the District as a whole. Funds are a governmental accounting tool that the District uses to track specific sources of funding and spending for particular purposes. Some funds are required by State law and by bond covenants. The Board of Trustees establishes other funds to control and manage resources for specific purposes or to delineate the use of certain taxes and grants.

The District has three kinds of funds:

- *Governmental funds*—All of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* can readily be converted to cash flow and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps determine the availability of financial resources to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information immediately following the governmental funds statements that explain the relationship (or differences) between them. These include debt financing and capital projects.
- *Proprietary funds*—Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The District's three proprietary funds are internal service funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the various functions. The District uses the internal service fund to report activities for its risk management, graphics, and program evaluation and accountability programs.
- *Fiduciary funds*—The District is the *fiduciary* for certain funds. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. We excluded these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

**Dallas Independent School District
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2011**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets

The District's net assets were \$547,424,864 at June 30, 2011. This represents an increase of \$10,135,042 from the prior year. Current and other assets increased by \$628,923,839 or 71.0%. This increase is primarily attributable to an investment of bond proceeds into a fully collateralized repurchase agreement. Capital assets increased by \$364,145,416 or 21.3% due to an increase in bond related construction activity. Current and long term liabilities increased by \$982,934,213 or 48% due to the issuance of bonds. (See Exhibit 2.)

**Exhibit 2
Net Assets
Governmental Activities**

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Change Increase/ (Decrease)</u>	<u>% Change Increase/ (Decrease)</u>
Current and Other Assets	\$ 1,514,252,932	\$ 885,329,093	\$ 628,923,839	71.0%
Capital Assets	<u>2,071,881,550</u>	<u>1,707,736,134</u>	<u>364,145,416</u>	21.3%
Total Assets	<u>3,586,134,482</u>	<u>2,593,065,227</u>	<u>993,069,255</u>	
Current Liabilities	402,964,881	343,615,588	59,349,293	17.3%
Long Term Liabilities	<u>2,635,744,737</u>	<u>1,712,159,817</u>	<u>923,584,920</u>	53.9%
Total Liabilities	<u>3,038,709,618</u>	<u>2,055,775,405</u>	<u>982,934,213</u>	
Net assets:				
Invested in Capital Assets, net of related debt	301,973,476	309,032,133	(7,058,657)	(2.3%)
Restricted	66,518,906	66,830,947	(312,041)	(.5%)
Unrestricted	178,932,482	161,426,742	17,505,740	10.8%
Total Net Assets	<u>\$ 547,424,864</u>	<u>\$ 537,289,822</u>	<u>\$ 10,135,042</u>	1.9%

Investment in capital assets (e.g. land, buildings, furniture and equipment), less any related debt used to acquire those assets that is still outstanding is \$301,973,476. The District uses these capital assets to provide services to students; consequently these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources because the capital assets are not available to liquidate these liabilities.

Of the remaining net assets, \$66,518,906 is restricted resources subject to external restrictions on how they are used and \$178,932,482 is unrestricted resources available to meet the District's ongoing obligations.

**Dallas Independent School District
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2011**

**Exhibit 3
Changes in Net Assets
Governmental Activities**

	June 30, 2011	June 30, 2010	Change Increase/ (Decrease)	% Change Increase/ (Decrease)
Revenues:				
Program revenues:				
Operating grants and contributions	\$ 364,591,060	\$ 351,454,735	\$ 13,136,325	3.7%
Charges for services	8,550,698	9,271,949	(721,251)	(7.8%)
General revenues:				
Investment earnings	3,125,832	3,079,368	46,464	1.5%
Property taxes	896,935,145	954,394,880	(57,459,735)	(6.0%)
State aid	417,317,962	391,146,276	26,171,686	6.7%
Grants and contributions, unrestricted	35,162,278	40,952,513	(5,790,235)	(14.1%)
Other	636,479	-	636,479	-
Total Revenues	1,726,319,454	1,750,299,721	(23,980,267)	
Expenses				
Instruction	918,670,306	914,472,120	4,198,186	0.5%
Instruction resources and media services	24,732,131	23,935,081	797,050	3.3%
Curriculum and staff development	45,017,015	44,632,038	384,977	0.9%
Instructional leadership	28,885,789	24,822,153	4,063,636	16.4%
School leadership	84,065,159	79,490,680	4,574,479	5.8%
Guidance, counseling and evaluation services	63,488,723	59,630,524	3,858,199	6.5%
Social work services	2,844,122	2,299,973	544,149	23.7%
Health services	18,252,622	17,363,982	888,640	5.1%
Student transportation	24,350,694	22,027,097	2,323,597	10.5%
Food services	84,684,667	75,750,540	8,934,127	11.8%
Cocurricular/extracurricular activities	20,002,925	16,439,635	3,563,290	21.7%
General administration	53,147,300	52,742,750	404,550	0.8%
Plant administration and operations	155,963,647	154,143,299	1,820,348	1.2%
Security and monitoring services	21,348,002	20,346,170	1,001,832	4.9%
Data processing services	40,833,190	29,336,406	11,496,784	39.2%
Community services	8,833,215	13,559,717	(4,726,502)	(34.9%)
Debt service interest	112,597,583	85,075,051	27,522,532	32.4%
Facilities acquisition and construction	231,271	1,057,517	(826,246)	(78.1%)
Payments to agents/member district-shared services	8,236,051	8,490,380	(254,329)	(3.0%)
Other	-	400,914	(400,914)	(96.0%)
Total Expenses	1,716,184,412	1,646,016,027	70,168,385	
Increase (decrease) in net assets	10,135,042	104,283,694	(94,148,652)	(90.3%)
Net asset-beginning	537,289,822	433,006,128	104,283,694	24.1%
Net assets-ending	\$ 547,424,864	\$ 537,289,822	\$ 10,135,042	1.9%

**Dallas Independent School District
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2011**

The District's total revenues decreased \$24.0 million, or 1.37%, over the prior year and the significant changes are as follows:

- The \$57.5 million decrease in property taxes is due to a decrease in the debt service tax rate from \$0.23129 to \$0.197761 per \$100 of assessed value, and a decrease in the assessed value for the fiscal year ended June 30, 2011.
- The \$26.2 million increase in state aid is due to the reduction in property tax collections for the fiscal year.

Grants and contributions, unrestricted, decreased \$5.8 million, or 14.1%, primarily due to the recognition of the Build America Bonds rebate of \$11.8 million which was primarily offset by the following one-time revenue items received during the prior year:

- Receipt of \$3.7 million from the Schools and Libraries Program of the Universal Service Fund, commonly referred to as "E-Rate".
- Receipt of \$3.6 million of refund of prior year overcharges from the company providing the District's bus transportation services.
- Upon receipt of additional information, the District revised its estimates of contingencies and liabilities resulting in a decrease of liabilities totaling \$7.0 million.

While the District's total expenses increased by \$70.2 million, or 4.3%, over the prior year, there were several significant changes in individual expense categories. The following categories experienced variances between June 30, 2011 and 2010:

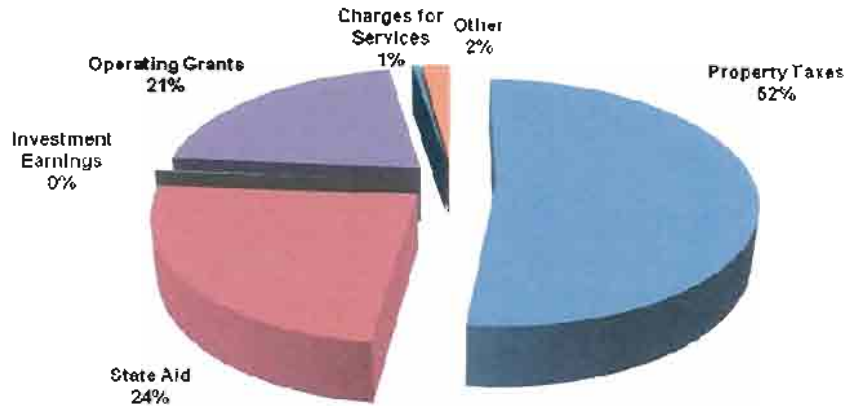
- Instructional leadership, school leadership, and guidance, counseling and evaluation functions increased \$12.5 million, or 7.6%, due to an increase in personnel costs.
- Student transportation expenses increased \$2.3 million, or 10.5%, primarily due to a renegotiation of the contracted rate that the District pays for basic student transportation services.
- Food services increased \$8.9 million, or 11.8%, primarily due to an increase in food cost.
- Cocurricular/extracurricular activities increased \$3.6 million, or 21.7%, primarily due to an increase in transportation cost.
- Data processing services expenses increased \$11.5 million, or 39.2%, due to increase in non-capitalizable software and equipment purchases and an increase in contractual services.
- Community services expenses decreased by \$4.7 million, or 34.9%, primarily due to a reduction in personnel costs.
- Debt service expenses increased \$27.5 million, or 32.4%, due primarily to the increase in the average total outstanding debt for the year.

**Dallas Independent School District
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2011**

Other Financial Highlights

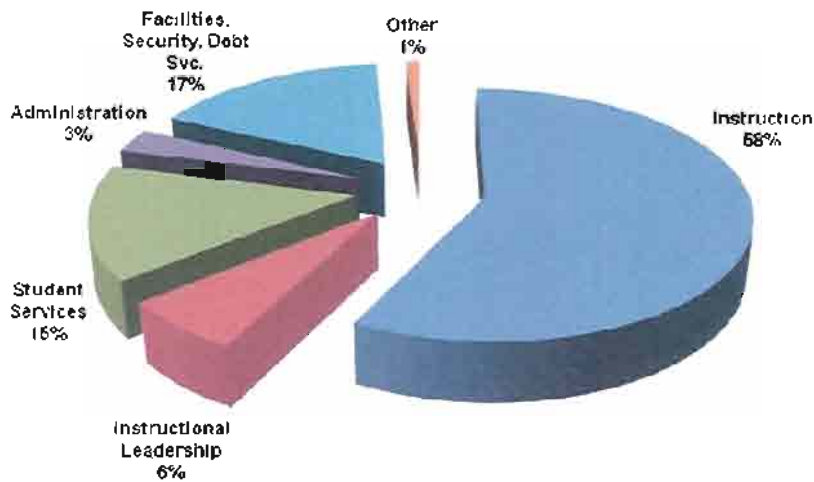
For the year ended June 30, 2011, the District's total revenues were \$1,726,319,454. Approximately 52% of the District's revenue was generated from property taxes, 24% was generated from state aid grants, 21% was generated from other operating grants and the remaining three percent was generated from miscellaneous revenue sources (See Exhibit 4).

**Exhibit 4
Sources of Revenue
Governmental Activities**



For the year ended June 30, 2011, the Districts' total cost of all programs and services was \$1,716,184,412. Approximately 58% of the District's governmental activities were dedicated to instructional areas. Combined with student services, such as counseling, nursing, and transportation services, 73% of governmental expenses were dedicated to direct student services. The costs to operate facilities, including utilities, security services and debt payments comprised 17% of the cost of all programs (See Exhibit 5).

**Exhibit 5
Expenditure Allocations
Governmental Activities**



**Dallas Independent School District
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2011**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

For the fiscal year ending June 30, 2011, the District's governmental funds reported ending fund balances of \$1,163,550,542. Of this amount, \$121,707,356 constitutes unassigned fund balance available for use in activities at the District's discretion. The remainder of the fund balance is designated as non-spendable, restricted or assigned, to indicate that it is not available for new spending because it has already been committed to bond projects, debt service and other obligations of the District.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year the unassigned fund balance of the General Fund was \$121,707,356. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned and total fund balance to the total fund expenditures. Unassigned fund balance represents 10.3% of the total General Fund expenditures, while total fund balance represents 11.5% of that same amount.

The District's General Fund balance increased \$32,030,627 primarily due to the receipt of \$26.5 million from the Education Jobs Fund (Ed Jobs). These federal funds were accounted for in a Non-Major Governmental Fund and paid for \$26.5 million of expenditures normally budgeted and expensed in the General Fund.

The Debt Service Fund has a total fund balance of \$112,010,068 all of which is restricted or assigned for the payment of debt service requirements. The Capital Projects Fund balance increased to \$890,031,724, primarily due to the Series 2010C bond issuance less facilities acquisition and construction costs expended during the year. Non-Major Governmental Fund has a total fund balance of \$26,410,491 representing a decrease for the current year of \$4,637,012. The decrease is attributable to the Food Service Fund which experienced a decrease in fund balance of \$4,747,634 resulting from budgeted fixed asset purchases.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year ended June 30, 2011, the Board amended the general fund operating budget on a monthly basis. These amendments fall into the following categories:

- Amendments approved shortly after the beginning of the new fiscal year for amounts reserved and designated in the prior year totaling \$15.3 million.
- Amendments approved for staff raises of \$11.6 million.
- Amendments to decrease estimates for federal revenue based upon the updated totaling \$9.8 million.
- Amendments to approve \$9.0 million for early resignation incentives.
- Amendments to decrease expense estimates by \$9.8 million based upon receipt of federal revenue.
- Balance neutral amendments during the year to properly align the budget with the expenditures.

After these adjustments, budgeted expenditures exceeded budgeted revenue by \$36.3 million in the final amended budget. Actual revenues exceeded actual expenditures by \$32 million.

The District's annual budgeted state program revenues for the General Fund are based upon projected enrollment applied to a state funding formula that has been in place since 2007. For the fiscal years ending June 30, 2011 and 2010, the state has kept the funding formula essentially the same as prior years' but \$43.2 million of the state's revenue commitment for the year ended June 30, 2011, was funded through federal ARRA Title XIV State Fiscal Stabilization Funds (SFSF). Because the SFSF funds are federal funds, the District is required to account for the funds separately in a separate non-major governmental fund.

**Dallas Independent School District
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2011**

The District used the SFSF funds to pay \$43.2 million of allowable teacher salaries. However because these expenditures are normal operating expenditures of the District and have in previous years been accounted for in the General Fund, the District chose for the sake of consistency to continue to budget these revenues and expenditures in the General Fund. Additionally \$20.3 million function 11 expenditures were budgeted in the General Fund, but due to the receipt of \$26.5 million of Ed Jobs funds were paid from a Non-Major Governmental Fund.

Exhibit 6 reflects the District's revenue and expenditures with the SFSF funds included with the General Fund functional expenditures and is for informational purposes only (See Exhibit 6).

**Exhibit 6
District's General Fund Expenditures with SFSF Funds**

Data Control Codes	Final General Operating Budget	General Operating Actual	State Fiscal Stabilization Fund (SFSF) Actual	Combined General Operating and SFSF Actual	Variance with Final Budget Positive (Negative)
Revenues:					
State revenue	\$ 462,819,121	\$ 417,317,962	\$ 43,221,075	\$ 460,539,037	\$ (2,280,084)
Expenditures:					
11 Instruction	736,437,441	675,741,849	43,221,075	718,962,924	17,474,517

The food service fund budget was amended for the following reasons:

- Amendments approved shortly after the beginning of the new fiscal year for amounts reserved and designated in the prior year totaling \$2.0 million.
- Amendments approved for staff raises of \$0.4 million.

The debt service fund budget was amended for the following reasons:

- Amendments to adjust the budget for the issuance of refunding bonds and related expenditures totaling \$239.5 million.

**Dallas Independent School District
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2011**

CAPITAL ASSETS

At the end of fiscal year 2011, the District had \$2.1 billion of capital assets, net of depreciation and loss on disposition of assets, including land, equipment, buildings, and vehicles. This amount represents a net increase of \$364.1 million or 21.3% over last year. (See Exhibit 7.)

**Exhibit 7
District's Capital Assets**

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Change Increase/ (Decrease)</u>	<u>% Change Increase/ (Decrease)</u>
Land	\$ 189,399,883	\$ 173,516,986	\$ 15,882,897	9.2%
Buildings and improvements	2,407,104,169	2,210,770,243	196,333,926	8.9%
Furniture and equipment	197,400,994	180,675,978	16,725,016	9.3%
Construction in progress	315,350,415	128,162,604	187,187,811	146.1%
Total	<u>3,109,255,461</u>	<u>2,693,125,811</u>	<u>416,129,650</u>	
Accumulated depreciation	(1,037,373,911)	(985,389,677)	(51,984,234)	5.3%
Net Book Value	<u>\$ 2,071,881,550</u>	<u>\$ 1,707,736,134</u>	<u>\$ 364,145,416</u>	

For the year ended June 30, 2011, the District's capital spending totaled \$438.3 million in land, construction in progress, buildings and improvements and capital equipment. These expenditures were primarily expenditures resulting from the projects committed to in the 2008 bond program that the District is committed to constructing 15 new campuses, making additions to 12 existing campuses, and conducting renovations at more than 200 locations. In addition, \$22.1 million in building and capital equipment were retired during the year. For more information on the District's capital assets see Note G in the financial statements.

DEBT ADMINISTRATION

For the year ended June 30, 2011, the District had \$2.7 billion in long-term debt outstanding. This represents a net increase of \$917.6 million or 51.7%, over last year. (See Exhibit 8.)

**Exhibit 8
Long Term Debt**

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Change Increase/ (Decrease)</u>	<u>% Change Increase/ (Decrease)</u>
Bonds and notes payable	\$ 2,628,389,962	\$ 1,730,108,246	\$ 898,281,716	51.9%
Workers compensation liability	8,921,450	7,292,895	1,628,555	22.3%
Deferred loss on refunding	(22,836,520)	(6,213,970)	(16,622,550)	267.5%
Premium on bonds	77,385,786	43,121,111	34,264,675	79.5%
Total	<u>\$ 2,691,860,678</u>	<u>\$ 1,774,308,282</u>	<u>\$ 917,552,396</u>	

Long-term debt increased \$917.6 million primarily from the issuance of Series 2010 bonds under the 2008 authorization less the refunding of the Series 1999 and 2008 bonds and scheduled debt payments.

**Dallas Independent School District
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2011**

The District's bonds presently carry ratings as follows: Moody's Investor Series "Aaa", Standard & Poors "AAA" and Fitch "AAA" as guaranteed by the Permanent School Fund (PSF). The District's underlying bond ratings are Moody's "AA2", Standards & Poors "A+" and Fitch "AA".

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Budgetary resource allocations are distributed to campuses and central organizations that support the programs of the District. The District's budget process begins with the development of enrollment projections by the District's Initiatives and Planning Department. Enrollment projections are then used to determine initial campus allocations through the use of board approved staffing formulas. The District uses line-item and site-based budgetary approaches to provide campuses with a standard allocation based on student enrollment.

Enrollment projections also drive general operating staffing levels and non-position allocations. Staffing ratios adhere to the Texas Education Agency guidelines. Non-position formulas are also applied to each campus to support instructional programs. The board approves campus staffing formulas, non-campus staffing guidelines and non-position formulas.

Central organizations use a zero-based budgetary approach for allocation based on historical expenditures and services provided.

Enrollment projections for the year ended June 30, 2011, show enrollment numbers to remain relatively stable with no significant increases or decreases.

The District continues to be classified as a property wealthy district subject to the provisions of Chapter 41 of the Texas Education Code for the 2010-11 fiscal year and the District's equalized wealth level continues to be within the range not requiring a recapture payment.

On August 4, 2011, the District issued \$100,000,000 in multi-draw Tax Anticipation Notes (the "TANS"). The TANS were issued for the purpose of funding the District's cash flow requirements. Two "Request for Purchase" agreements were issued under the TANS on August 4, 2011 (\$65,000,000) and September 13, 2011 (\$35,000,000). The \$100,000,000 TANS are due by February 15, 2012.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District's Financial Services Department.

**Dallas Independent School District
Government-Wide Statement of Net Assets
June 30, 2011**

Exhibit A-1

Data Control Codes		Total Primary Governmental Activities June 30, 2011	Component Unit December 31, 2010
Assets:			
1110	Cash and cash equivalents	\$ 542,371,126	\$ 441,416
1120	Investments	651,278,952	-
1225	Property taxes receivable, net	30,211,149	-
1240	Due from other governments	248,767,174	-
1250	Accrued interest receivable	2,737	-
1260	Due from agency funds	502,837	-
1290	Other receivables, net	8,417,221	1,996,281
1300	Inventories	8,945,483	-
1490	Other current assets	756,823	-
1420	Bond issuance cost, net	22,999,430	-
	Capital assets, net:		
1510	Land	189,399,883	-
1520	Buildings and Improvements, net	1,511,247,481	-
1530	Furniture and equipment, net	55,883,771	-
1580	Construction in progress	315,350,415	-
1000	Total assets	3,586,134,482	2,437,697
Liabilities:			
2110	Accounts payable	103,606,419	29,266
2140	Other liabilities	2,015,782	-
2150	Payroll deductions and withholdings	12,944,468	-
2160	Accrued wages and benefits payable	152,113,369	-
2180	Due to other governments	107,061	-
2200	Accrued liabilities	9,264,569	-
2300	Unearned revenue	1,125,595	-
2430	Accrued interest	65,671,677	-
	Long-term liabilities-due within one year:		
2121	Bonds and notes payable	53,541,656	-
2123	Workers compensation	2,574,285	-
	Long-term liabilities-due beyond one year:		
2210	Workers compensation	6,347,165	-
2510	Bonds and notes payable	2,574,848,306	-
2511	Deferred loss on refunding of bonds	(22,836,520)	-
2512	Premium on bonds	77,385,786	-
2000	Total liabilities	3,038,709,618	29,266
Net assets (deficit):			
3200	Invested in capital assets, net of related debt	301,973,476	-
3800	Restricted for:		
	Debt Service	46,338,391	-
	Food Service	20,180,515	-
	Component Unit-Program Grants	-	2,477,962
3900	Unrestricted	178,932,482	(69,531)
3000	Total net assets	\$ 547,424,864	\$ 2,408,431

The accompanying notes to the basic financial statements are an integral part of this statement.

**Dallas Independent School District
Government-Wide Statement of Activities
For the Year Ended June 30, 2011**

Exhibit B-1

Data Control Codes	Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Expenses	Charges for Services	Operating Grants and Contributions	Governmental	Component Unit
					Activities Year Ended June 30, 2011	Year Ended December 31, 2010
	Primary government governmental activities:					
11	Instruction	\$ 918,670,306	\$ 272,629	\$ 205,915,601	\$ (712,482,076)	
12	Instructional resources and media services	24,732,731	-	816,606	(23,915,525)	
13	Curriculum and staff development	45,017,015	-	34,899,983	(10,117,032)	
21	Instructional leadership	28,885,789	-	5,361,950	(23,523,839)	
23	School leadership	84,065,159	-	5,842,704	(78,222,455)	
31	Guidance, counseling, and evaluation services	63,488,723	-	13,310,544	(50,178,179)	
32	Social work services	2,844,122	-	293,065	(2,551,057)	
33	Health services	18,252,822	-	1,528,503	(16,724,119)	
34	Student transportation	24,350,694	-	1,386,036	(22,964,658)	
35	Food services	84,684,667	6,321,941	68,697,029	(9,665,697)	
36	Cocurricular/extracurricular activities	20,002,925	676,784	128,611	(19,197,530)	
41	General administration	53,147,300	-	8,011,188	(45,136,112)	
51	Plant maintenance and operations	155,963,647	1,279,344	7,080,178	(147,604,125)	
52	Security and monitoring services	21,348,002	-	2,182,412	(19,165,590)	
53	Data processing services	40,833,190	-	2,647,317	(38,185,873)	
61	Community services	8,933,215	-	6,477,606	(2,355,609)	
71	Interest and fiscal charges	112,597,583	-	-	(112,597,583)	
81	Facilities acquisition and construction	231,271	-	11,727	(219,544)	
95	Payments to juvenile justice alternative education	709,194	-	-	(709,194)	
97	Payments to tax increment fund	3,610,740	-	-	(3,610,740)	
99	Other intergovernmental charges	3,916,117	-	-	(3,916,117)	
	Total	\$ 1,716,184,412	\$ 8,550,698	\$ 364,591,060	\$ (1,343,042,654)	
	Component unit:					
	Dallas Education Foundation	\$ 1,068,093	-	\$ 2,698,677		\$ 1,630,584
	General revenues:					
	Taxes:					
	Property taxes, levied and collected for general purposes				\$ 753,628,541	-
	Property taxes, levied and collected for debt service				143,306,604	-
	State aid grants not restricted to specific programs				417,317,962	-
	Grants and contributions not restricted to specific programs				35,162,278	-
	Investment earnings				3,125,832	1,902
	Miscellaneous - Other				636,479	-
	Total general revenues				1,353,177,696	1,902
	Change in net assets				10,135,042	1,632,486
	Net assets—beginning				537,289,822	775,945
	Net assets—ending				\$ 547,424,864	\$ 2,408,431

The accompanying notes to the basic financial statements are an integral part of this statement.

**Dallas Independent School District
Balance Sheet
Governmental Funds
June 30, 2011**

Exhibit C-1

Data Control Codes		General Fund	Debt Service Fund	Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
Assets:						
1110-50	Cash and cash equivalents	\$ 124,141,183	\$ 99,094,547	\$ 319,135,396	\$ -	\$ 542,371,126
1120	Investments	-	-	651,278,952	-	651,278,952
1210-30	Property tax receivable, net	25,888,910	4,322,239	-	-	30,211,149
1250	Accrued interest	310	-	2,427	-	2,737
1260	Due from other funds	3,231,022	-	-	52,069,037	55,300,059
1240	Receivables from other governments	236,759,295	12,007,879	-	-	248,767,174
1290	Other receivables, net	6,080,602	-	2,135,163	161,456	8,377,221
1300	Inventories	6,045,274	-	-	2,900,209	8,945,483
1490	Other current assets-prepaid expenses	712,465	-	34,056	10,302	756,823
	Total assets	\$ 402,859,061	\$ 115,424,665	\$ 972,585,994	\$ 55,141,004	\$ 1,546,010,724
Liabilities and fund balances:						
Liabilities:						
2110	Accounts payable	\$ 16,864,759	\$ -	\$ 79,857,835	\$ 5,911,208	\$ 102,633,802
2120	Other liabilities	2,010,742	-	5,040	-	2,015,782
2150	Payroll deductions & withholdings	10,635,427	-	-	2,308,275	12,943,702
2160	Accrued wages and benefits payable	134,164,795	-	-	17,858,953	152,023,748
2170	Due to other funds	69,210,086	36,865	2,691,320	244,275	72,182,546
2180	Payable to other governments	32,073	-	-	74,988	107,061
2200	Accrued liabilities	7,996,013	-	75	1,207,219	9,203,307
2300	Deferred/Unearned revenue	26,846,907	3,377,732	-	1,125,595	31,350,234
	Total liabilities	267,760,802	3,414,597	82,554,270	28,730,513	382,460,182
Fund balances:						
Non-Spendable:						
3410	Inventories	6,045,274	-	-	2,136,349	8,181,623
3430	Prepaid items	712,465	-	34,056	10,302	756,823
Restricted:						
3450	Grants and donations	-	-	-	6,219,675	6,219,675
3450	Food service	-	-	-	18,044,165	18,044,165
3470	Capital projects	-	-	889,997,668	-	889,997,668
3480	Debt service	-	100,210,068	-	-	100,210,068
3590	Assigned	6,633,164	11,800,000	-	-	18,433,164
3600	Unassigned	121,707,356	-	-	-	121,707,356
	Total fund balances	135,098,259	112,010,068	890,031,724	26,410,491	1,163,550,542
	Total liabilities and fund balances	\$ 402,859,061	\$ 115,424,665	\$ 972,585,994	\$ 55,141,004	\$ 1,546,010,724

The accompanying notes to the basic financial statements are an integral part of this statement.

**Dallas Independent School District
Reconciliation of the Governmental Funds Balance Sheet to the
Government-Wide Statement of Net Assets
June 30, 2011**

Exhibit C-1R

Total fund balances--governmental funds (from C-1)		\$ 1,163,550,542
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets net of accumulated depreciation, less assets held in internal service funds, are not financial resources and therefore are not reported as assets in governmental funds.		2,071,864,168
Some liabilities, including bonds payable, and claims and judgments are not due and payable in the current period and, therefore are not reported in the funds:		
Bonds and notes payable	(2,628,389,962)	
Deferred losses on refundings	22,836,520	
Premium on bonds	(77,385,786)	(2,682,939,228)
Accrued interest is not due and payable in the current period and therefore is not reported as a liability in the governmental funds.		(65,671,677)
Certain assets are not available to pay for current period expenditures and therefore are deferred in the funds.		30,224,639
Internal service funds are used by management to charge the costs of certain activities, such as workers' compensation. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets (see D-1).		7,396,990
Bond issue costs are recognized currently at the fund level, but are deferred costs under the full accrual method of accounting.		22,999,430
Total net assets--governmental activities (see A-1)		\$ 547,424,864

The accompanying notes to the basic financial statements are an integral part of this statement.

Dallas Independent School District
Statement of Revenues, Expenditures, and Changes in Fund Balances –
Governmental Funds
For the Year Ended June 30, 2011

Exhibit C-2

Data Control Codes	General Fund	Debt Service	Capital Projects	Non-Major Governmental Funds	Total Governmental Funds	
Revenues:						
5700	Local and intermediate sources	\$ 777,660,194	\$ 145,129,553	\$ 5,841,081	\$ 8,850,687	\$ 937,481,515
5800	State program revenues	417,317,962	-	-	29,581,949	446,899,911
5900	Federal program revenues	14,525,292	11,800,000	-	332,393,476	358,718,768
	Total revenues	<u>1,209,503,448</u>	<u>156,929,553</u>	<u>5,841,081</u>	<u>370,826,112</u>	<u>1,743,100,194</u>
Expenditures:						
Current:						
11	Instruction	675,741,849	-	-	205,751,513	881,493,362
12	Instructional resources and media services	23,075,616	-	-	846,517	23,922,133
13	Curriculum and staff development	10,450,152	-	-	34,862,681	45,312,833
21	Instructional leadership	23,407,377	-	-	5,373,863	28,781,240
23	School leadership	74,756,090	-	-	5,845,866	80,601,956
31	Guidance, counseling, and evaluation services	49,200,841	-	-	13,314,549	62,515,390
32	Social work services	2,540,821	-	-	293,065	2,833,886
33	Health services	16,191,903	-	-	1,524,907	17,716,810
34	Student transportation	22,966,333	-	-	1,386,036	24,352,369
35	Food services	-	-	-	82,325,328	82,325,328
36	Cocurricular/extracurricular activities	18,101,712	-	-	166,933	18,268,645
41	General administration	44,470,284	-	-	8,193,030	52,663,314
51	Plant maintenance and operations	146,939,161	-	-	4,532,687	151,471,848
52	Security and monitoring services	18,976,461	-	-	2,185,202	21,161,663
53	Data processing services	34,929,638	-	1,840,705	2,483,413	39,253,756
61	Community services	2,100,306	-	-	6,452,696	8,553,002
Debt service:						
71	Principal on long-term debt	4,491,273	35,445,000	-	-	39,936,273
71	Interest and fiscal charges	1,320,409	85,720,357	11,903,394	-	98,944,160
Capital outlay:						
81	Facilities acquisition and construction	-	-	420,912,508	11,727	420,924,235
Intergovernmental charges:						
95	Payments for juvenile justice alternative education	709,194	-	-	-	709,194
97	Payments to tax increment fund	3,610,740	-	-	-	3,610,740
99	Other intergovernmental charges	3,916,117	-	-	-	3,916,117
	Total expenditures	<u>1,177,896,277</u>	<u>121,165,357</u>	<u>434,656,607</u>	<u>375,550,013</u>	<u>2,109,268,254</u>
	Excess (deficiency) of revenues over expenditures	31,607,171	35,764,196	(428,815,526)	(4,723,901)	(366,168,060)
Other Financing Sources (Uses):						
7911	Proceeds from issuance of bonds	-	226,810,000	950,300,000	-	1,177,110,000
7912	Sale of real or personal property	636,479	-	-	-	636,479
7915	Transfers in	-	-	-	86,889	86,889
7916	Premium (Discount) on issuance of bonds	-	34,602,429	11,903,394	-	46,505,823
8911	Transfers out	(213,023)	-	-	-	(213,023)
8949	Refunded bonds redeemed	-	(259,446,830)	-	-	(259,446,830)
7080	Total other financing sources (uses)	<u>423,456</u>	<u>1,965,599</u>	<u>962,203,394</u>	<u>86,889</u>	<u>964,679,338</u>
	Net change in fund balances	<u>32,030,627</u>	<u>37,729,795</u>	<u>533,387,868</u>	<u>(4,637,012)</u>	<u>598,511,278</u>
	Fund balances - beginning, as originally reported	100,099,251	74,280,273	356,643,856	34,015,884	565,039,264
	Change in Accounting Principle (See Note A)	2,968,381	-	-	(2,968,381)	-
	Fund balance, beginning, as restated	<u>103,067,632</u>	<u>74,280,273</u>	<u>356,643,856</u>	<u>31,047,503</u>	<u>565,039,264</u>
	Fund balances - ending	<u>\$ 135,098,259</u>	<u>\$ 112,010,068</u>	<u>\$ 890,031,724</u>	<u>\$ 26,410,491</u>	<u>\$ 1,163,550,542</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

Dallas Independent School District
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balance – Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2011

Exhibit C-3

Net change in fund balances--total governmental funds (from C-2)	\$ 598,511,278
Amounts reported for governmental activities in the statement of activities (B-1) are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital asset additions (\$437,475,350) and net book value of capital asset disposals (\$1,285,059) exceeded depreciation (\$72,822,441) in the current period.	363,367,850
The net effect of various miscellaneous transactions involving capital assets (i.e. donations) increases net assets.	781,987
Repayment of bonds (\$35,445,000), loans (\$3,145,000) and capital leases (\$1,346,273), and refunded bond (\$239,080,000) are an expenditure in the governmental funds, but the repayment and refunded bonds reduces long-term liabilities in the statement of net assets.	279,016,273
Installment obligations provide current financial resources to governmental funds, but issuing bonds (\$1,177,110,000) and the related premium (\$46,505,823) and loans (\$187,989) increases long-term liabilities in the statement of net assets.	(1,223,803,812)
Accrued interest expense at the government wide level does not require the use of current financial resources and therefore is not reported as expenditure in governmental funds.	(33,294,202)
Bond issue costs and deferred losses on refunding are expensed at fund level but are deferred and amortized over the life of the related debt at the government-wide level.	40,195,598
Some property taxes and other revenue will not be collected within 60 days and, therefore they are not considered available revenues and are deferred in governmental funds. Deferred revenue decreased by this amount from the prior year.	(18,199,206)
Internal service funds are used by management to charge the costs of certain activities, such as medical self insurance and workman's compensation, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities (see D-2).	3,559,276
Change in net assets of governmental activities (B-1)	\$ 10,135,042

The accompanying notes to the basic financial statements are an integral part of this statement.

**Dallas Independent School District
Statement of Net Assets
Proprietary Funds
June 30, 2011**

Exhibit D-1

<u>Data Control Codes</u>		<u>Governmental Activities Internal Service Funds</u>
	Assets	
	Current Assets:	
1260	Due from other funds	\$ 17,385,324
1290	Other receivables, net	40,000
		17,425,324
	Total current assets	17,425,324
	Noncurrent Assets:	
	Capital Assets	
	Furniture and Equipment, net	17,382
		17,382
	Total Noncurrent assets	17,382
	Total Assets	17,442,706
	Liabilities and fund balances:	
	Liabilities	
	Current Liabilities:	
2110	Accounts payable	972,617
2120	Accrued liabilities-short-term	2,574,285
2150	Payroll deductions & withholdings	766
2160	Accrued wages and benefits payable	89,621
		3,637,289
	Total current liabilities	3,637,289
	Long-term Liabilities:	
2200	Accrued liabilities-long-term	6,408,427
		6,408,427
	Total Liabilities	10,045,716
	Net Assets	
3xxx	Invested in Capital Assets	17,382
3xxx	Unrestricted Net Assets	7,379,608
		7,396,990
	Total net assets	\$ 7,396,990

The accompanying notes to the basic financial statements are an integral part of this statement.

Dallas Independent School District
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2011

Exhibit D-2

Data Control Codes		Governmental Activities Internal Service Funds
	Operating revenues:	
5754	Charges for services	\$ 17,565,950
	Total operating revenues	17,565,950
	Operating expenses:	
6100	Personnel services	12,490,105
6200	Contractual services	1,079,457
6300	Supplies	466,616
6400	Other operating expenses	96,630
	Total operating expenses	14,132,808
	Operating income	3,433,142
	Nonoperating revenues:	
	Transfers in	126,134
	Change in net assets	3,559,276
	Total net assets-beginning	3,837,714
	Total net assets-ending	\$ 7,396,990

The accompanying notes to the basic financial statements are an integral part of this statement.

**Dallas Independent School District
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2011**

Exhibit D-3

	Governmental Activities Internal Service Funds
Cash flows from operating activities:	
Cash received from user charges	\$ 11,848,176
Cash payments for payroll costs	(2,637,523)
Cash payments for insurance claims	(8,131,394)
Cash payments for suppliers	(1,205,393)
Net cash used for operating activities	(126,134)
Cash flows from non-capital financing activities:	
Transfers in	126,134
Net cash provided by non-capital financing activities	126,134
Net (decrease) in cash and cash equivalents	-
Cash and cash equivalents — beginning of year	-
Cash and cash equivalents — end of year	\$ -
Reconciliation of operating income to net cash used by operating activities:	
Operating income	\$ 3,433,142
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	4,422
Increase (decrease) in due from other funds	(5,717,774)
Increase (decrease) in accounts payable	432,888
Increase (decrease) in payroll deductions & withholdings	60
Increase (decrease) in accrued wages payable	52,322
Increase (decrease) in accrued expenses	1,668,806
Net cash used for operating activities	\$ (126,134)

The accompanying notes to the basic financial statements are an integral part of this statement.

**Dallas Independent School District
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2011**

Exhibit E-1

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 3,724,890
Total assets	\$ 3,724,890
Liabilities	
Accounts payables	\$ 16,073
Due to General Fund	502,837
Due to student groups	3,205,373
Accrued liabilities	607
Total liabilities	\$ 3,724,890

The accompanying notes to the basic financial statements are an integral part of this statement.

**Dallas Independent School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

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**Dallas Independent School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Board of Trustees (the "Board") consists of nine members and has governance responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Dallas Independent School District (the "District"). The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding sources. The District is not included in any other governmental reporting entity as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, issued by Governmental Accounting Standards Board ("GASB"), since Board members are elected by the public and have decision-making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters.

For financial reporting purposes, in conformance with governmental accounting standards, certain organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. By applying the criteria set forth in GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, an amendment of GASB Statement No. 14, the District has determined that the Dallas Education Foundation ("the Foundation") is a discrete component unit of the District. The component unit that meets the criteria of GASB Statement No. 39 is reported as a discretely presented component unit in the primary government's financial statements.

The Foundation is a Texas non-profit corporation organized to unite the community and its resources, including individual, corporate and foundation philanthropy, to accomplish key District priorities. The Foundation is operated exclusively for charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. All funds, whether income or principal, and whether acquired by gift or contribution are devoted to the charitable purpose. The Foundation collaborates with the District to achieve the mutual goals of the District, the Foundation and donors. The Foundation is governed by an 18 member Board of Directors, who represents a cross section of the community served by the District. The District Superintendent of Schools serves as an ex-officio member. The other members are independent of the District.

There were no other significant transactions between the District and the Foundation during the year ended June 30, 2011.

The Foundation financial statements are prepared in accordance with generally accepted accounting principles, as promulgated by the Financial Accounting Standards Board. A copy of the complete, separately audited financial statements as of December 31, 2010 of the Foundation can be obtained from Dallas Education Foundation at 3700 Ross Avenue, Box 108, Dallas, Texas 75204.

**Dallas Independent School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

Government-Wide and Fund Financial Statements

The government-wide financial statements consist of the statement of net assets and the statement of activities. These statements report information on all non-fiduciary activities of the District. The effect of the interfund activity in the government-wide statements eliminates services provided and used in the process of consolidation. Governmental activities are mainly supported by tax revenues and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. All capital asset depreciation is reported as a direct expense of the functional program that benefits from the use of the capital assets. Program revenues include: 1) charges for services and tuition charged by a given function and 2) grants and contributions that are restricted to meeting operational requirements of a particular function. Taxes, state aid, grants and contributions not restricted to specific programs are properly excluded from program revenues and reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Basis of Accounting/Measurement Focus

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements are met. The fiduciary fund financial statement do not have a measurement focus.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized, when they are susceptible to accrual, as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the fiscal period. Expenditures generally are recorded when a liability is incurred. However, debt service expenditures, and claims and judgments, are recorded only when matured and payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under notes payable are reported as other financing sources. Property tax revenues and revenues received from the State of Texas and investment earnings are considered to be susceptible to accrual and so have been recognized as revenues in the current period. Property taxes collected within 60 days of year-end and included in revenue were \$5,250,716 and \$944,507 for the General Fund and Debt Service Funds, respectively.

Grant revenues and contributions are recognized when all eligibility requirements have been met. Grant funds received in advance are recorded as deferred revenue until earned. Contributions received with purpose restrictions are recorded as revenue and the related fund balance is designated until restrictions are satisfied. Amounts reported as program revenues include operating grants and contributions, food services user charges, rentals and tuition. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. The Texas Education Agency, through its application of state law, allocates state revenues to school districts by formula allocation. The District receives two allocations, a per capita allocation and a foundation program allocation. The District also recognizes revenues for the state's share of the contributions to the Teacher Retirement System of Texas. See Note K for additional information on the employee's retirement plan. Other state revenues are received through other state miscellaneous programs on an allocated basis. Charges for services and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received.

**Dallas Independent School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

The District has accrued Foundation School Program revenues of approximately \$160,557,948 which is included in receivables from other governments in the Balance Sheet-Governmental Funds, to reflect cash that will be received in fiscal year 2012, which was generated by attendance and related expenditures in fiscal year 2011. If both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first and unrestricted resources as needed.

The District reports the following major governmental funds:

- The General Fund is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.
- The Debt Service Fund, a budgeted fund, accounts for the use of ad valorem taxes and other revenues collected for the purposes of retiring bond principal and paying interest when due. The Debt Service Fund does not meet the quantitative criteria of a major fund, however, due to the qualitative significance of the fund, management has decided to present it as a major fund.
- The Capital Projects Fund is used to account for proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions.

The District reports the following proprietary funds:

- Internal Service Funds are used to account for services provided by one department to other departments of the District on a cost-reimbursement basis. For the District, these funds are used to provide workers' compensation insurance, unemployment insurance, printing services and program evaluation. Accrued liabilities include provisions for claims reported and claims incurred but not reported for workers' compensation insurance. The provision for reported claims is determined by estimating the amount that will ultimately be paid to each claimant. The provision for claims incurred but not yet reported is estimated based on the District's experience since the inception of the program.

Additionally, the District reports the following non-major funds:

- Special Revenue Funds are used to account for food services activities, federal and state financed programs and other local programs where unused balances are returned to the grantor at the close of specified project periods. The budget for the Food Services Fund is adopted by the Board each fiscal year.

The agency Fund is a fiduciary fund that is custodial in nature (assets equals liabilities) and is used to account for the activities of student groups. The student activity groups exist with the explicit approval of, and are subject to revocation, by the Board.

**Dallas Independent School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

Assets, Liabilities and Net Assets

Cash, Cash Equivalents and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short term investments with original maturities of three months or less from the date of acquisition. All investments in pools are considered cash equivalents.

Investments with maturities at the time of acquisition of over 12 months are recorded at fair value and can consist of certificates of deposit, U.S. Treasury instruments, U.S. Government agency obligations, commercial paper, investments in government sponsored enterprises, repurchase agreements and investments in local government public fund investment pools. Fair value is determined by the amount by which a financial instrument could be exchanged in a current transaction between willing parties. The District accrues interest on temporary investments based on the terms and effective interest rates of the specific investments.

Interfund Transaction and Receivables and Payables

Advances between funds are accounted for in the appropriate interfund receivable and payable accounts. All legally authorized transfers are appropriately treated as transfers and are included in the results of operations. Such balances are eliminated within the governmental activities for the government-wide financial statements.

Property Taxes

Property taxes are levied each October 1 on the assessed value as of the prior January 1 for all real and business personal property located in the District. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the subsequent year. On January 1 of each year a lien attaches to the property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes and historical experience of adjustments to tax receivables. Uncollectible taxes are written off according to the Texas Property Tax Code. See Note C for the discussion of the write off of uncollectible taxes in the current year.

Inventories and Prepaid Items

The consumption method is used to account for inventories of supplies and materials. Under this method, these items are carried in an inventory account of the respective fund at cost, using the weighted average method of accounting and are subsequently charged to expenditures when consumed or requisitioned. Although food commodities are received at no cost, their fair value is supplied by the Texas Department of Agriculture and is recorded as inventory on the date received. In the governmental funds, inventories and prepaid items are reported as non-spendable fund balance.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in the accounting system in order to assign the portion of the applicable appropriation, is employed in the governmental fund financial statements. Encumbrances, which have not been liquidated, are reported as an assigned portion of fund balance in the governmental funds.

Government-Wide Net Assets

Invested in capital assets, net of related debt – the component of net assets that represents capital assets less capital debt plus unspent bond proceeds of \$301,973,476.

**Dallas Independent School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

Restricted for debt service – the component of net assets that reports the difference between assets and liabilities of the Debt Service Funds net of accrued interest at June 30, that consists of assets with constraints placed on their use by the bond covenants of \$46,338,391.

Restricted for food service – the component of net assets that reports the difference between assets and liabilities of the Food Services Fund that consists of assets with constraints placed on their use by the Department of Agriculture and Texas Education Agency (“TEA”) of \$20,180,515.

Unrestricted – the difference between the assets and liabilities that is not reported in net assets invested in capital assets, net of related debt, net assets restricted for debt service, and net assets restricted for food service of \$178,932,482.

Governmental Fund Balances

The GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and clarifying the existing governmental fund type definitions. The statement establishes a hierarchy of fund balance classifications based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources. The District implemented GASB 54 for the fiscal year ended June 30, 2011. The implementation of GASB Statement No. 54 required the District to evaluate the classification of its Special Revenue Funds, which resulted in the reclassification of the Campus Activity Fund to the General Fund. Due to the nature and source of its revenue (i.e. revenue is not legally restricted), it was determined that it does not meet the criteria of a Special Revenue Fund. The beginning fund balances of the general fund and non-major governmental funds were restated for implementation of this new standard.

According to the District’s fund balance policy, as amended for the implementation of GASB Statement No. 54, fund balance is comprised of the following components:

Nonspendable fund balance – assets that will never convert to cash, such as inventory and prepaid items.

Restricted fund balance – the portion of fund balance that reflects resources that are subject to externally enforceable legal restrictions imposed by parties outside the District at June 30, 2011.

Committed fund balance – the portion of fund balance that reflects resources whose use is limited based upon resolutions by the District’s Board of Trustees. At June 30, 2011, the District had no committed fund balance.

Assigned fund balance – the portion of fund balance that reflects resources whose use is limited by its intended use. At June 30, 2011, the Superintendent of Schools and Chief Financial Officer, with authority delegated by the Board of Trustees, assigned fund balance as follows:

	Governmental Funds
Campus activity funds	\$ 2,766,640
Encumbrances	3,866,524
Debt service fund	11,800,000
 Total	 \$ 18,433,164

**Dallas Independent School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

Unassigned fund balance – the portion of fund balance in excess of nonspendable, restricted, committed and assigned.

Capital Assets

Capital assets, which include land, buildings, furniture and equipment, and construction in progress are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Construction cost includes direct and all indirect costs. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives, are not capitalized, and land and construction in progress are not depreciated. Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

Asset Classification	Useful Life in Years
Buildings and Building Improvements	40
Heavy Installed Equipment	20
Portable Buildings and Building Systems	15
Furniture	10
Trucks and Vans	7
Equipment:	
Maintenance Equipment	15
Grounds and Custodial Equipment	12
Instructional Equipment	10
Kitchen Equipment	10
Servers, Communications Systems, Audio/Visual	7
Automobiles	5
Computers and Copiers	3
Software	3

Compensated Absences

Certain employees are entitled to receive accrued vacation and compensatory pay in a lump-sum cash payment upon termination of employment with the District. The amount of \$2,189,579 (wages and benefits) represents the recorded liability for employees vested in accumulated vacation and compensatory pay. The General Fund and Special Revenue Funds are used to liquidate compensated absences.

**Dallas Independent School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. Cost of issuance, as well as gains or losses on refunding, are capitalized and amortized over the shorter of the life of the new issuance or the life of the existing debt using the straight-line interest method, which approximates the interest method. Premiums and discounts are amortized over the life of the related debt using the effective interest method.

In the fund financial statements, bond premiums and discounts, as well as bond issuance costs are recognized in the governmental funds, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Use of Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles ("GAAP") requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Data Control Codes

In accordance with the Financial Accountability System Resource Guide published by the Texas Education Agency (the "TEA"), the District has adopted and installed an accounting system which meets the minimum requirements prescribed by the State Board of Education and has been approved by the state auditor. The TEA requires the display of these codes in the financial statements filed with the TEA in order to ensure accuracy in building a statewide database for policy development and funding plans.

NOTE B: CASH, CASH EQUIVALENTS AND INVESTMENTS

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the School Depository Act. The depository bank deposits for safekeeping and trust with The Bank of New York Mellon, under a tri-party collateral agreement between the District, the depository bank and The Bank of New York Mellon, approved pledged securities, as authorized by Chapter 2257, Collateral for Public Funds of the Government Code, in an amount sufficient to protect the District's funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC"). In order to maximize return on cash balances, the District uses consolidated bank accounts from which all disbursements are made, with cash in excess of the District's total daily requirement being invested for future needs.

**Dallas Independent School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

At June 30, 2011, the net carrying amount of the District's cash deposits, excluding student activity fund deposits of \$3,724,890, was \$88,580,064. The bank balance of \$94,598,696 was on deposit with the contracted depository bank. District funds in non-interest bearing accounts are protected pursuant to the Dodd-Frank Insurance Provision of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("the Act"). The Act provides that through December 31, 2012, the FDIC will insure in full the noninterest-bearing transaction accounts of all government/public sector depositors. In addition, for the period from July 21, 2011 and through December 31, 2012, District funds are also insured up to \$250,000 for the combined amount of all time and savings accounts, and up to an additional \$250,000 for the combined total of all interest-bearing Demand Deposit Accounts (DDA's). Interest bearing accounts were collateralized by pledged United States government securities with a fair value of \$51,553,250 at June 30, 2011, held by The Bank of New York Mellon. Because The Bank of New York Mellon holds the pledged securities in trust on behalf of the District, the deposits were deemed collateralized under Texas law. Secondary campuses activity funds were centralized and were on deposit with the contracted depository. Non-centralized agency and activity funds were in separate noninterest-bearing bank accounts in the name of the schools, and as such, have full FDIC coverage under The Act, after \$250,000 FDIC coverage per bank account up to 100% of the bank balance per bank account. At June 30, 2011, cash on hand in Agency Funds totaled \$3,724,890 and was on deposit with the contracted depository and separate bank accounts. The District's Agency Fund bank balance on June 30, 2011, was covered by federal depository insurance or by collateral held in the District's name.

The District's component unit had an unrestricted cash balance of \$441,416. The component unit places its temporary cash investments with creditworthy, high quality financial institutions. These cash investments from time to time exceed federally insured limits.

In addition, the following is disclosed regarding coverage of combined cash and certificates of deposit balances on the date of highest deposit:

- a. Depository bank: Bank of America, N.A.
- b. The date of highest deposit was September 28, 2010, with combined cash and certificates of deposit balance of \$107,343,354.
- c. On September 28, 2010, the amount of bonds, securities pledged, and FDIC coverage was \$117,422,554.
- d. The FDIC coverage portion of the collateral listed above was \$500,000.
- e. The District had no occasions during the year of not being sufficiently collateralized, in which the pledged collateral requirement was less than the collateral requirement.

**Dallas Independent School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

The Texas legislature passed the Public Funds Investment Act of 1995 ("Public Funds Investment Act") which authorizes the District to invest its excess funds in the following:

- Obligations of the United States or its agencies and instrumentalities,
- Obligations of the State of Texas or its agencies,
- Other obligations guaranteed by the United States or the State of Texas or their agencies and instrumentalities,
- Public funds investment pools,
- No load money market funds with a weighted average maturity of 90 days or less
- Fully collateralized repurchase agreements,
- Obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality not less than an "A", or its equivalent, by a nationally recognized investment rating firm,
- Commercial paper having a stated maturity of 270 days or fewer from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies or one nationally recognized credit agency and is fully secured by an irrevocable letter of credit.
- Guaranteed investment contracts for bond proceeds investment only, with a defined termination date and secured by U.S. Government direct or agency obligations approved by the Texas Public Funds Investment Act in an amount equal to the bond proceeds,
- Guaranteed or secured certificates of deposit, issued by state and national banks domiciled in Texas, and insured by federal depository insurance or secured by the obligations mentioned above, and
- Bonds issued, assumed or guaranteed by the State of Israel.

The Public Funds Investment Act requires an annual review and approval of investment policies and practices. The review disclosed that in this area of investment practices, management reports and establishment of appropriate policies, the District materially adhered to the requirements of the Public Funds Investment Act. Additionally, investment practices of the District were in accordance with local policies, which are no more restrictive than state statutes.

In January 2011, the District invested \$500 million from the \$950.3 million proceeds of the "Dallas Independent School District Unlimited Tax School Building Bonds, Taxable Series 2010C" (the Bonds) in a fully collateralized flexible repurchase agreement (flex-repo) with Bayerische Landesbank (BayernLB or BLB). BayernLB or "Bayerische Landesbanken" (Bavarian State Bank) is a publicly regulated bank based in Munich, Germany, which is one of the eight "Landesbanken" (State Banks), and the eighth-largest financial institution in Germany. BLB deposits the District's investment earnings into the flex-repo account at the end of each month at a fixed investment rate of .64% per annum, calculated on a 360-day year basis. Additionally, BLB deposits for safekeeping and trust with Wells Fargo Bank direct obligations of the United States of America and direct obligations of any agency or instrumentality of the United States of America at a security ratio of 102%. As of June 30, 2011, the balance in the flex-repo account was collateralized by a combination of cash, federal agency securities (Tennessee Valley Authority) and Government Sponsored Enterprise mortgage/asset securities (FHLMC, FNMA, GNMA, SBA, and the US Department of Veterans Affairs). Withdrawals of cash (draws) are allowed from the BLB flex-repo account twice per month, with a two day advance notice to BLB. Draws are timed to coincide with the cash flow needs of the district's bond program, and all funds are expected to be withdrawn from the BLB flex-repo by September 2014, the final repurchase date stated in the flex-repo agreement, with the last draw currently anticipated to occur in December 2013. The flex-repo agreement ends on the termination date which, per the agreement, means the earlier of: (a) the date on which BLB repurchases all purchased securities with the invested money's at the applicable repurchase price; (b) the date on which no Bonds remain outstanding; (c) the date on which BLB elects to optionally terminate the agreement due to (i) a payment default with respect to the Bonds, or (ii) a complete or partial purchase in lieu of redemption of the Bonds; or, (d) the final purchase date stated in the agreement of September 30, 2014.

**Dallas Independent School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

Cash withdrawn from the BLB flex-repo account that is not used immediately for bond expenditures, or to reimburse the District's general fund for bond expenditures, will be immediately reinvested in another investment account designated for the bond proceeds of the "Dallas Independent School District Unlimited Tax School Building Bonds, Taxable Series 2010C."

As of June 30, 2011, the following are the District's cash equivalents and investments, with respective maturities and credit quality:

Type of Investment	Book Value	Percent	Fair Value	Percent	Maturity Amount	Maturity in 0-6 Months	Credit Rating S&P/Moody's
Money markets and mutual funds	\$ 9,744,864	0.9%	\$ 9,744,864	0.9%	\$ 9,744,864	\$ 9,744,864	A1/P1
Investment pools:							
Texas Class	178,957,292	14.9%	178,957,292	14.9%	178,957,292	178,957,292	AAA/Aaa
LOGIC	21,405,805	1.8%	21,405,805	1.8%	21,405,805	21,405,805	AAA/Aaa
Lone Star	165,957,119	13.9%	165,957,119	13.9%	165,957,119	165,957,119	AAA/Aaa
TexPool	44,360,787	3.7%	44,360,787	3.7%	44,360,787	44,360,787	AAA/Aaa
TexasDAILY	33,365,195	2.8%	33,365,195	2.8%	33,365,195	33,365,195	AAA/Aaa
Total Investment pools	<u>444,046,198</u>	<u>37.1%</u>	<u>444,046,198</u>	<u>37.1%</u>	<u>444,046,198</u>	<u>444,046,198</u>	
Cash	47,405,057	4.0%	47,405,057	4.0%	47,405,057	47,405,057	NA
Cash in Savings	44,899,897	3.7%	44,899,897	3.7%	44,899,897	44,899,897	NA
Total Cash	<u>92,304,954</u>	<u>7.7%</u>	<u>92,304,954</u>	<u>7.7%</u>	<u>92,304,954</u>	<u>92,304,954</u>	
Total cash and cash equivalents	<u>546,096,016</u>	<u>45.6%</u>	<u>546,096,016</u>	<u>45.6%</u>	<u>546,096,016</u>	<u>546,096,016</u>	
Repurchase Agreements:							
BLB Flex-Repo - final repo date 9-30-2014	501,361,494	41.9%	501,361,494	41.9%	501,361,494	-	(1) NA
Securities:							
Freddie Mac	149,917,458	12.5%	149,989,550	12.5%	150,000,000	150,000,000	AAA/Aaa
Total Investments	<u>651,278,952</u>	<u>54.4%</u>	<u>651,351,044</u>	<u>54.4%</u>	<u>651,361,494</u>	<u>150,000,000</u>	
Total cash, cash equivalents and investments	<u>\$ 1,197,374,968</u>	<u>100.0%</u>	<u>\$ 1,197,447,060</u>	<u>100.0%</u>	<u>\$ 1,197,457,510</u>	<u>\$ 696,096,016</u>	

(1) See maturity information below.

As required by GASB Statement No. 31, the District recognizes the unrealized gain/loss on investments with a maturity date greater than one year from the acquisition date and investments that are callable. As of June 30, 2011, the remaining cash equivalents and securities in the District's portfolio all had maturity dates of less than one year from their acquisition date, except for the flex-repo of \$500 million that has a final repurchase date stated in the agreement of September 30, 2014.

The "Cash in Savings" is an Analyzed Business Investment Account that earns interest deposited monthly on the average daily balance in the account. This account allows a maximum of six withdrawals per month. The balance in the account is collateralized daily in accordance with the requirements of the Public Funds Collateral Act and the tri-party collateral agreement between Dallas Independent School District, Bank of America and Bank of New York Mellon. As of June 30, 2011 the interest earning rate for the account was 30 basis points.

**Dallas Independent School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

Interest Rate Risk: In accordance with the District's investment policy, investments are made in a manner that ensures the preservation of capital in the overall portfolio, and offsets during a twelve month period any market price losses resulting from interest-rate fluctuations by income received from the balance of the portfolio. The District has an investment of bond proceeds in a flexible repurchase agreement with BayernLB (BLB) at a fixed investment rate of .64% per annum for a period stated in the agreement not to exceed September 30, 2014. This investment incurs a minimal risk that the Federal Reserve interest rate may increase above .64% per annum between now and September 2014 (from 0.0-0.25% at June 30, 2011). The District's investment strategy states that no individual transaction shall be undertaken that jeopardizes the total capital position of the overall portfolio.

Credit Risk: State law limits investments in commercial paper to not less than A1-P1 or equivalent rating by at least two nationally recognized credit rating agencies. The District's investments in Local Government Public Fund Investment Pools ("LGIP's") include: Texas Class, LOGIC, Lone Star, TexPool and TexasDAILY. These are all public funds investment pools and money markets operating in full compliance with the Public Funds Investment Act. These pools are operated in a manner consistent with SEC Rule 2a-7 of the Investment Company Act of 1940 (the "1940 Act"). All are rated "AAA" money market funds by Standard and Poor's. The Bank of America Money Market Reserves is a no-load money market fund that maintains weighted-average maturity of 90-days or less. This money market fund invests only in first-tier securities. Under SEC Rule 2a-7 of the 1940 Act, a first-tier security is a debt instrument that is an eligible investment for money market funds and has received a rating in the highest short-term category from a nationally recognized statistical rating organization. On August 5, 2011, Standard and Poors, one of three nationally recognized raters of US debt and securities, downgraded the rating of long-term US sovereign debt from AAA to AA+ for the first time since 1941 with a negative outlook. The two other national raters, Moody's and Fitch, continue to have the highest ratings, but also have the debt on their watch lists. Included in the District's investment portfolio is \$149,917,458 that was downgraded from AAA to AA+ by S&P subsequent to year end.

Concentration of Credit Risk: The District's investment portfolio is diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from over-concentration of assets in a specific class of investments, specific maturity or specific issuer. The \$500 million BLB flex-repo is at one bank; however, it is fully collateralized.

Custodial Credit Risk – deposits: This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. All deposits, not covered by FDIC insurance, held in the depository bank, Bank of America, were fully collateralized. Additionally, all funds in the District's flexible repurchase agreement for the investment of bond proceeds with BayernLB were fully collateralized with securities held by the collateral custodian, Wells Fargo Bank.

Custodial Credit Risk – investments: This is the risk that, in the event of failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All funds in the District's flexible repurchase agreement for the investment of bond proceeds with BLB were fully collateralized with securities held by the collateral custodian, Wells Fargo Bank. The Freddie Mac investments are held in trust with Texas Class.

Foreign Currency Risk: As of June 30, 2011, there are no foreign currency investments in the District's portfolio.

**Dallas Independent School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

NOTE C: LOCAL REVENUES AND PROPERTY TAXES

Local revenues are comprised of the following:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
Property taxes	\$ 764,344,921	\$ 145,028,087	\$ -	\$ -	\$ 909,373,008
Food services	-	-	-	5,722,347	5,722,347
Gifts and bequests	134,432	-	2,882,255	1,456,376	4,473,063
Campus activity funds	4,378,864	-	-	-	4,378,864
Interest income	600,435	101,466	2,423,914	17	3,125,832
Tuition, fees and cocurricular	899,437	-	-	688,126	1,587,563
Rental Income	1,279,344	-	17,809	-	1,297,153
Other	6,022,761	-	517,103	983,821	7,523,685
Totals	<u>\$ 777,660,194</u>	<u>\$ 145,129,553</u>	<u>\$ 5,841,081</u>	<u>\$ 8,850,687</u>	<u>\$ 937,481,515</u>

Property Taxes

The District's ad valorem property tax is levied each October 1 on the assessed value as of the prior January 1 for all real and business personal property located in the District. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the subsequent year. On January 1 of each year a tax lien attaches to the property to secure the payment of all taxes, penalties, and interest ultimately imposed. The assessed value of the roll on January 1, 2011 was \$95,357,746,590. After deductions of all exemptions and reductions provided by law and those granted by the District, the levy for the 2011 fiscal year was based on property values of \$75,985,949,045.

The tax rates assessed for the year ended June 30, 2011, to finance General Fund operations and the payment of principal and interest on long-term debt were \$1.04005 and \$0.197761 per \$100 valuation, respectively, for a total of \$1.237811 per \$100 valuation. The resolution levying the ad valorem taxes specifies the individual tax rates for the General Fund and Debt Service Funds. Current tax collections for the year ended June 30, 2011, were 96.93% of the tax levy.

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. The District has provided an allowance for estimated uncollectible property taxes and estimated adjustments within the General Fund and Debt Service Funds of \$45,538,440 and \$6,077,884 respectively, based upon historical collection experience and historical experience of adjustments to tax receivables.

**Dallas Independent School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

The Texas Property Tax Code, directs tax collectors to cancel and remove from the tax rolls real property taxes that have been delinquent more than 20 years and personal property taxes that have been delinquent more than 10 years. Additionally, the Texas Property Tax Code provides that personal property may not be seized and a suit may not be filed to collect a tax on personal property that has been delinquent more than four years.

The City of Dallas has established 16 Tax Increment Financing Zones as authorized under Chapter 311 of the Texas Property Tax Code in which the District has authority to levy taxes on real property. The City of Farmers Branch has established one Tax Increment Finance Zone as authorized under Chapter 311 of the Texas Property Tax Code in which the District has authority to levy taxes on real property. The District currently participates financially in three of the City of Dallas Tax Increment Financing Zones and the City of Farmers Branch Tax Increment Financing Zone.

The captured property values and property taxes payable to the Tax Increment Financing Zones are summarized as follows:

	<u>Captured Values</u>	<u>Taxes Collected/ Paid (\$1.04005/\$100)</u>
City of Dallas:		
Oak Cliff Gateway Tax Incremental Financing District	\$ 59,458,929	\$ 606,852
Cedars Tax Incremental Financing District	46,873,491	276,393
Sports Arena Tax Incremental Financing District	439,222,136	2,717,812
City of Farmers Branch:		
Tax Incremental Financing District #1	2,176,050	9,683
 Totals	 <u>\$ 547,730,606</u>	 <u>\$ 3,610,740</u>

**Dallas Independent School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

NOTE D: RECEIVABLES

Property tax receivable as of June 30, 2011, for the District's major funds and non-major funds in the aggregate including the applicable allowances for uncollectible accounts are as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Totals</u>
Property taxes	\$ 71,427,350	\$ 10,400,123	\$ 81,827,473
Less: Allowance for uncollectible	(45,538,440)	(6,077,884)	(51,616,324)
Totals	<u>\$ 25,888,910</u>	<u>\$ 4,322,239</u>	<u>\$ 30,211,149</u>

The \$1,996,281 component unit receivables for unconditional promises are due in less than one year.

NOTE E: DEFERRED/UNEARNED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

At the end of fiscal year 2011, the various components of deferred and unearned revenue reported in the General Fund, Debt Service Funds, Capital Projects Fund and non-major governmental funds were as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Non-Major</u>	<u>Totals</u>
Deferred:				
Property taxes	\$ 20,638,194	\$ 3,377,732	\$ -	\$ 24,015,926
Medicaid/SHARS	5,736,422	-	-	5,736,422
Gifts and bequests	472,291	-	-	472,291
Unearned	-	-	1,125,595	1,125,595
Totals	<u>\$ 26,846,907</u>	<u>\$ 3,377,732</u>	<u>\$ 1,125,595</u>	<u>\$ 31,350,234</u>

**Dallas Independent School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

NOTE F: INTERFUND RECEIVABLES, AND TRANSFERS

Interfund balances at June 30, 2011, consisted of the following individual fund receivables and payables:

Fund	Receivables	Payables
General Fund:		
Non-Major Governmental Funds	\$ -	\$ 52,069,037
Debt Service Fund	36,865	-
Capital Projects Fund	2,691,320	-
Internal Service	-	17,141,049
Agency Fund	502,837	-
	<u>3,231,022</u>	<u>69,210,086</u>
Debt Service Fund:		
General Fund	-	36,865
Capital Projects Fund:		
General Fund	-	2,691,320
Non-Major Governmental Funds:		
General Fund	52,069,037	-
Internal Service Fund	-	244,275
Internal Service Fund:		
General Fund	17,141,049	-
Non-Major Governmental Fund	244,275	-
	<u>17,385,324</u>	<u>-</u>
Agency Fund:		
General Fund	-	502,837
Totals	<u>\$ 72,685,383</u>	<u>\$ 72,685,383</u>

**Dallas Independent School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

The interfund receivable and payable between General Fund and Special Revenue Fund occurs when expenditures take place before the reimbursement is received from the granting agency. The interfund balances between General Fund and Capital Projects Fund, Debt Service Funds, Agency Fund, and Internal Service Fund occur due to payments made from the General Fund operating account on behalf of these funds. The interfund balances between Internal Service Fund, General Fund and Non-Major Governmental Fund occur due to recording of workers' compensation liabilities recorded but not yet funded. Transfers occur monthly, unless significantly larger payments are noted and the transfer occurs more frequently. All interfund balances are expected to be repaid within the next fiscal year.

Interfund transfers are comprised of the following:

	Transfers In		
	Non-Major Governmental	Internal Service Fund	Transfers Out
Transfers Out - General Fund	<u>\$ 86,899</u>	<u>\$ 126,134</u>	<u>\$ 213,023</u>

Interfund transfers were made to offset operating losses in internal service funds and to establish a special revenue fund.

**Dallas Independent School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

NOTE G: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 is as follows:

	Balance at July 1, 2010	Additions	Transfers	Deletions	Balance at June 30, 2011
Capital assets, not being depreciated:					
Land	\$ 173,516,986	\$ 15,882,897	\$ -	\$ -	\$ 189,399,883
Construction in progress	128,162,604	409,304,324	(222,116,513)	-	315,350,415
Total capital assets, not being depreciated	<u>301,679,590</u>	<u>425,187,221</u>	<u>(222,116,513)</u>	<u>-</u>	<u>504,750,298</u>
Capital assets, being depreciated:					
Building and improvements	2,210,770,243	330,500	202,082,139	(6,078,713)	2,407,104,169
Furniture and equipment	180,675,978	12,737,240	20,034,374	(16,046,598)	197,400,994
Total capital assets, being depreciated	<u>2,391,446,221</u>	<u>13,067,740</u>	<u>222,116,513</u>	<u>(22,125,311)</u>	<u>2,604,505,163</u>
Less accumulated depreciation for:					
Buildings and improvements	843,511,299	57,278,856	-	(4,933,467)	895,856,688
Furniture and equipment	141,878,378	15,545,630	-	(15,906,785)	141,517,223
Total accumulated depreciation	<u>985,389,677</u>	<u>72,824,486</u>	<u>-</u>	<u>(20,840,252)</u>	<u>1,037,373,911</u>
Total capital assets, being being depreciated, net	1,406,056,544	(59,756,746)	222,116,513	(1,285,059)	1,567,131,252
Capital assets, net	<u>\$1,707,736,134</u>	<u>\$ 365,430,475</u>	<u>\$ -</u>	<u>\$ (1,285,059)</u>	<u>\$ 2,071,881,550</u>

Capital assets include assets recorded in Internal Service Funds, net of depreciation, of \$17,382.

**Dallas Independent School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

Depreciation expense was charged to functions of government activities as follows:

		Depreciation Expense
11	Instruction	\$ 43,213,327
12	Instructional resources and media services	880,661
13	Curriculum and staff development	357,363
21	Instructional leadership	232,076
23	School leadership	3,757,520
31	Guidance, counseling and evaluation services	1,218,002
32	Social work services	18,174
33	Health services	592,505
35	Food services	5,474,027
36	Curriculum/extracurricular activities	1,782,666
41	General administration	493,093
51	Plant maintenance and operations	4,941,963
52	Security and monitoring services	485,134
53	Data processing services	8,756,956
61	Community services	303,041
81	Facilities acquisition and construction	317,978
	Total	\$ 72,824,486

Depreciation is allocated to functions of governmental activities by specific identification whenever possible. Depreciation related to campus facilities is allocated to functions based on the relative square footage of the respective functional areas. Technology equipment is allocated in total to data processing services.

The District has active construction projects. These projects include new school construction and renovation of existing facilities. The total construction commitments as of June 30, 2011 are \$348,818,794 for projects under the bond programs.

**Dallas Independent School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

NOTE H: LEASES

The District leases offices, copiers, computers, warehouse space and parking under non-cancelable operating leases. Rent expense including non-cancelable leases and other rent charges for the year ended June 30, 2011 was approximately \$6,818,000. Minimum future lease commitments on non-cancelable leases are summarized as follows:

For the Year Ending June 30	Minimum Future Lease Commitments
2012	\$ 5,362,059
2013	3,792,692
2014	1,927,350
2015	1,626,387
2016	280,288

NOTE I: LONG-TERM OBLIGATIONS

Long-term debt includes par bonds, contractual obligations, notes payable, long-term loans, maintenance tax notes and provisions for workers' compensation liability. Bond premiums and deferred loss on refundings are amortized using the effective interest method.

General Obligation Bonds

These bonds are secured by ad valorem taxes levied against all taxable property and are serviced, with the exception of the contractual obligation bonds, by Debt Service Funds with an apportionment of the ad valorem tax levy. Interest rates on the bonds range from 1.25% to 6.25% and are due through 2035.

**Dallas Independent School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

At June 30, 2011, \$99,094,547 in cash equivalents is restricted in the Debt Service Fund to service the outstanding bonds.

Series	Bond Series Name - General Obligation Bonds Maturity or Mandatory Redemption Date	Interest Rates	Original Issue Amount (in thousands)	Total Outstanding Principal Amount (in thousands)
2002	Unlimited Tax School Building and Refunding Bonds - Serially in varying amounts from August 15, 2003 to February 15, 2022	4.00% - 5.50%	\$ 335,594	\$ 34,340
2003	Unlimited Tax School Building and Refunding Bonds - Serially in varying amounts from February 15, 2004 to February 15, 2027	1.75% - 5.00%	156,665	21,565
2004	Unlimited Tax School Building Bonds - Serially in varying amounts from August 15, 2004 to August 15, 2030	3.00% - 5.00%	300,000	240,385
2004A	Unlimited Tax School Building and Refunding Bonds - Serially in varying amounts from August 15, 2005 to August 15, 2031	3.00% - 5.00%	400,000	398,205
2005	Unlimited Tax Refunding Bonds - Serially in varying amounts from August 15, 2008 to August 15, 2014	5.25%	44,135	25,040
2006	Unlimited Tax School Building Bonds - Serially in varying amounts from August 15, 2007 to August 15, 2032	4.00% - 5.00%	290,205	281,555
2008	Unlimited Tax School Building Bonds- Serially in varying amounts from February 15, 2010 to February 15, 2034	5.00% - 6.25%	393,325	374,995
2009	Unlimited Tax Refunding Bonds- Serially in varying amounts from August 15, 2009 to August 15, 2014	2.00% - 5.00%	100,760	56,875
2010	Unlimited Tax Refunding Bonds- Serially in varying amounts from February 15, 2011 to February 15, 2021	1.25% - 5.00%	156,730	155,920
2010B	Unlimited Tax Refunding Bonds- Serially in varying amounts from February 15, 2013 to February 15, 2018	3.00% - 5.50%	70,080	70,080
2010C	Unlimited Tax School Building Bonds- Serially in varying amounts from February 15, 2018 to February 15, 2026 and Term Bonds due 2030 and 2035	4.05% - 6.00%	950,300	950,300
Total				<u>\$ 2,609,260</u>

**Dallas Independent School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

Maintenance Tax Notes

On October 1, 2001, the District issued \$6,880,000 of Qualified Zone Academy Maintenance Tax Notes, Series 2001. An additional \$1,120,000 of Qualified Zone Academy Maintenance Tax Notes, Series 2002, was issued on September 1, 2002. On September 20, 2008 the District issued \$20,000,000 of Dallas Independent School District Maintenance Tax Notes, Series 2008. The amount outstanding for Maintenance Tax Notes as of June 30, 2011 was as follows:

<u>Series</u>	<u>Maintenance Tax Notes Maturity or Mandatory Redemption Date</u>	<u>Yield Rates</u>	<u>Total Outstanding Principal Amount (in thousands)</u>
2001	Principal due at maturity - deposits made to escrow annually at May 1, 2002 to May 2015	6.82%	\$ 5,700
2002	Principal due at maturity - interest due each February 15 and August 15 from February 15, 2003 to September 15, 2016	6.14%	1,120
2008	Principal due at maturity - interest due each February 15 and August 15 from February 15, 2009 to February 15, 2015	3.16%	10,845
Total			\$ 17,665

The Maintenance Tax Notes are paid from the General Fund.

Long-term Notes Payable

As of June 30, 2011, the accompanying government-wide financial statements include property under notes payable with a principal balance due of \$1,464,912. The 2008 notes payable were used to acquire equipment and services for the District's student information systems. Notes payable expenditures for the year ended June 30, 2011 were \$1,346,273, representing principal payments that have been reflected as debt service expenditures in the General Fund of the accompanying fund financial statements.

Dallas Independent School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

The following is a summary of the changes in the District's long-term debt for the year ended June 30, 2011:

Description	Long-Term Liabilities Outstanding July 1, 2010 (in thousands)	Additions and Interest Accretion (in thousands)	Retired/ Refunded (in thousands)	Long-Term Liabilities Outstanding June 30, 2011 (in thousands)	Amount Due Within One Year From June 30, 2011 (in thousands)
General obligation bonds:					
Series 2002	\$ 205,095	\$ -	\$ 170,755	\$ 34,340	\$ 9,195
Series 2003	34,170	-	12,605	21,565	795
Series 2004	294,400	-	54,015	240,385	3,445
Series 2004A	400,000	-	1,795	398,205	-
Series 2005	31,850	-	6,810	25,040	7,240
Series 2006	284,690	-	3,135	281,555	1,465
Series 2008	374,995	-	-	374,995	-
Series 2009	81,475	-	24,600	56,875	25,900
Series 2010	-	156,730	810	155,920	1,475
Series 2010B	-	70,080	-	70,080	-
Series 2010C	-	950,300	-	950,300	-
Total General Obligation Bonds	1,706,675	1,177,110	274,525	2,609,260	49,515
Maintenance Tax Notes Payable:					
Series 2001-QZAB	5,512	188	-	5,700	-
Series 2002-QZAB	1,120	-	-	1,120	-
Series 2008-SSYS/Vehicles	13,990	-	3,145	10,845	3,305
Total maintenance tax notes	20,622	188	3,145	17,665	3,305
Long-term Notes Payable					
IBM Master Agreement-2006	646	-	646	-	-
IBM Supplement-2008	2,165	-	700	1,465	722
Total Long-term Notes Payable	2,811	-	1,346	1,465	722
Total Bonds and Notes Payable	1,730,108	1,177,298	279,016	2,628,390	53,542
Other long-term obligations:					
Workers compensation	7,314	7,152	5,545	8,921	2,574
Deferred losses on refunding	(6,214)	(20,860)	(4,238)	(22,836)	-
Premium on bonds	43,121	46,506	12,241	77,386	-
	44,221	32,798	13,548	63,471	2,574
Totals	\$ 1,774,329	\$ 1,210,096	\$ 292,564	\$ 2,691,861	\$ 56,116

Dallas Independent School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

For governmental activities, claims and judgments are generally liquidated by General Fund resources.

Debt Service Requirements

The annual requirements to pay principal and interest on the bond obligations and notes payable outstanding as of June 30, 2011, are as follows:

Year Ended June 30,	Principal (in thousands)	Interest (in thousands)	Total Requirements (in thousands)
2012	\$ 53,542	\$ 155,435	\$ 208,977
2013	55,953	140,297	196,250
2014	54,695	137,679	192,374
2015	57,230	135,022	192,252
2016	64,125	132,283	196,408
2017-2021	388,410	611,103	999,513
2022-2026	493,805	505,287	999,092
2027-2031	666,495	350,355	1,016,850
2032-2035	795,315	120,475	915,790
	<u>2,629,570</u>	<u>\$ 2,287,936</u>	<u>\$ 4,917,506</u>
Accreted interest to maturity (see note below)	(1,180)		
Totals	<u>\$ 2,628,390</u>		

Note: The \$1,180,256 of accreted interest to maturity represents the difference between the accreted value at June 30, 2011 of the invested escrow account at U.S. Bank and Trust of \$5,699,744 and the debt due at maturity of \$6,880,000 for the 2001 Qualified Zone Academy Bonds. The District deposits \$344,321 payments into the escrow account annually at May 1, and these annual deposits plus the interest earned on the escrow account will pay the \$6,880,000 debt at maturity on May 1, 2015, with pay off due on October 16, 2015.

In prior years, the District legally defeased certain bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for these defeased bonds are not included in the District's basic financial statements. The total amount of defeased bonds that remain outstanding at June 30, 2011 is \$270,685,000.

**Dallas Independent School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

Debt Issuance

The District issued the following debt during fiscal year 2010-2011:

On July 15, 2010, the District approved \$80,000,000 in multi-draw "Dallas Independent School District and Revenue Tax Anticipation Notes, Series 2010" (the "TANS"). Two draws totaling \$80,000,000 were executed, as follows: (1) \$30,000,000 draw on August 10, 2010 at a rate of .97634%; (2) \$50,000,000 draw on September 9, 2010 at a rate of .93589%. The total proceeds, less issuance costs of \$132,048, were used to provide for the seasonal cash flow needs of the District's general fund operations. The principal (\$80,000,000) and interest (\$341,072) was due in total on February 11, 2011, and was repaid in full on February 11, 2011 by the General Fund.

In August 2010 the District issued \$156,730,000 in "Unlimited Tax Refunding Bonds, Series 2010" with interest rates ranging from 1.25% to 5.00%. The District received a net premium of \$22,549,737 on the issuance of the Series 2010 bonds. The total proceeds, less the issuance costs and underwriter's discount of \$468,930 and \$863,776, respectively, were used to refund \$153,630,000 of the Dallas Independent School District Unlimited Tax School Building and Refunding Bonds, Series 2002 and \$12,295,000 of the Dallas Independent School District Unlimited Tax School Building Bonds, Series 2003. Principal and interest payments are due each February 15 and August 15, beginning February 15, 2011 and ending February 15, 2021. The total interest requirements on these bonds, with interest rates ranging from 1.25% to 5.00%, aggregate \$47,492,800 as of June 30, 2011. The net proceeds were placed in an escrow account with an escrow agent for the purpose of paying all future debt service payments of the Series 2002 and 2003 Bonds when due. As a result, the refunded bonds are considered to be defeased and the liability had been removed from the governmental activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$14,514,040. The amount is being netted against the new debt and amortized over the remaining life of the refunded debt issued. This advanced refunding was undertaken to reduce total debt service payments over the next 17 years by \$22,308,583 and resulted in an economic gain of \$18,297,252.

In December 2010, the District issued \$70,080,000 in "Dallas Independent School District Unlimited Tax Refunding Bonds, Series 2010B" with interest rates ranging from 3.00% to 5.50%. The District received a net premium of \$12,052,692 on the issuance of the Series 2010B bonds. The total proceeds, less the issuance costs and underwriter's discount of \$272,000 and \$520,327, respectively, were used to refund \$17,125,000 of the Dallas Independent School District Unlimited Tax School Building and Refunding Bonds, Series 2002, \$52,730,000 of the Dallas Independent School District Unlimited Tax School Building Bonds, Series 2004, and \$3,300,000 of the "Unlimited Tax School Refunding Bonds, Series 2009. Principal and interest payments are due each February 15 and August 15, beginning August 15, 2011 and ending August 15, 2018. The total interest requirements of these bonds, with interest rates ranging from 3.00% to 5.50%, aggregate \$23,209,606 as of June 30, 2011. The net proceeds were placed in an escrow accounting with an escrow agent for the purpose of paying all future debt service payments of the Series 2002, 2003 and 2009 Bonds when due. As a result, the refunded bonds are considered to be defeased and the liability had been removed from the governmental activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$6,346,059. The amount is being netted against the new debt and amortized over the remaining life of the refunded debt issued. This advanced refunding was undertaken to reduce total debt service payments over the next 10 years by \$1,045,835 and resulted in an economic gain of \$1,524,106.

**Dallas Independent School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

In December 2010, the District issued \$950,300,000 in "Dallas Independent School District Unlimited Tax School Building Bonds, Series 2010C" (Build America Bonds – Direct Payment to Issuer) with interest rates ranging from 4.05% to 6.00%. These taxable bonds, created by the American Recovery and Reinvestment Act of 2009, carry a 35% federal tax subsidy on interest costs. The District will deposit any federal tax subsidy revenue received into the Debt Service Fund for the payment of currently outstanding debt service interest due for the Build America Bonds. The District received a net premium of \$11,903,394 on the issuance of the Series 2010C bonds. The total proceeds, less the issuance costs and underwriter's discount of \$2,090,660 and \$9,812,734, respectively, are to be used for school building construction and renovation. Principal and interest payments are due each February 15 and August 15, beginning August 15, 2011 and ending August 15, 2035. The total interest requirements of these bonds, with interest rates ranging from 4.05% to 6.00%, aggregate \$1,169,108,484 as of June 30, 2011. The \$950,300,000 proceeds were invested in local government investment pools (Texas Class, Lonestar, Texas Term and TexPool) and U.S. Government Agencies. In January 2011, \$500,000,000 of the \$950,300,000 proceeds was deposited into a fully collateralized Flexible Repurchase Agreement account with Bayerische Landesbank (BLB) at a rate of .64% for a period of thirty-six months.

Arbitrage

The Federal Tax Reform Act of 1986 requires issuers of tax exempt debt to make payments to the United States Treasury of investment income received at yields that exceed the issuer's tax-exempt borrowing rates. The U.S. Treasury requires payment for each issue every five years. The estimated liability is updated annually for any tax-exempt issuances or changes in yields until such time payment of the calculated liability is due. At June 30, 2011, the District had no liability for arbitrage.

NOTE J: GENERAL FUND FEDERAL SOURCE REVENUE

Federal revenues recorded in the General Fund consist of the following:

Junior ROTC	\$	1,917,775
Medicaid/SHARS		8,308,201
Indirect cost reimbursement		4,126,154
Other federal		173,162
Total	<u>\$</u>	<u>14,525,292</u>

NOTE K: PENSION PLAN OBLIGATIONS

Teacher Retirement System of Texas

Plan Description - All employees of the District employed for one-half or more of the standard workload and who are not exempted from membership under the Texas Government Code, Title 8, Subtitle C, Section 822.002, participate in the Teacher Retirement System of Texas (the "System"), a multiple-employer Public Employee Retirement System ("PERS"). It is a cost-sharing PERS with one exception: all risks and costs are not shared by the District, but are the liability of the State of Texas. The System provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. The System's annual financial report and other required disclosure information are available by writing to the Teacher Retirement System of Texas Communications Department, 1000 Red River, Austin, Texas 78701-2698 or by calling (800) 223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading.

**Dallas Independent School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

The System operates primarily under the provisions of Texas Constitution, Article XVI Section 67 and Texas Government Code, Title 8, Subtitle C. The System also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapter 803 and Chapter 805, respectively. Service requirements are as follows:

Normal – Age 65 with 5 years of service or when the sum of member’s age and years of credit equals or exceeds 80.

Reduced – Age 55 with at least 5 years of credited service or any age below 50 with 30 or more years of credit service.

Funding Policy

By statute, plan members must contribute 6.4% of their annual covered salary and the State of Texas contributes an amount equal to 6.644% of the District’s covered payroll. For members of the retirement system entitled to the minimum salary for certain personnel under Section 16.056, Texas Education Code, the District will pay the state’s contribution on the portion of the member’s salary that exceeds the statutory minimum. The District’s employees’ contributions to the System for the years ending June 30, 2011, June 30, 2010, and June 30, 2009, were \$63,826,382, \$63,115,624 and \$64,255,930, respectively, equal to the required contributions for each year. Other contributions made from Federal and private grants and from the District for salaries above the statutory minimum for the years ending June 30, 2011, June 30, 2010 and June 30, 2009 were \$23,237,719, \$22,471,332 and \$22,523,356, respectively, equal to the required contributions for each. In addition, the District has recorded, in the General Fund, approximately \$41.7 million in revenue and expenditures for pension contributions paid on behalf of the District by the state.

Staff and Teacher Attendance Reward Plan

Plan Description – The District contributes to the Staff and Teacher Attendance Reward Plan (“STAR” or “Plan”). The Plan is a retirement savings plan available under Section 401(a) of the Internal Revenue Code, established by the Education Service Center Region 10. The District’s Board has the authority for amending plan provisions including establishing and amending contribution requirements. The Board appoints an employee as the Plan Administrator. The Plan’s annual financial report and other required disclosure information are available by writing The STAR Plan Record Keeper JEM Resource Partners, 900 S. Capital of Texas Highway, Suite 350, Austin, TX 78746. Under plan provisions, employees are automatically enrolled in STAR if he or she is an employee who is an active and contributing member of the Teacher Retirement System of Texas, contributes to the District’s 457(b) plan or the 403(b) Tax Sheltered Annuity plan maintained by the District and has missed five days or less from work during the period September 1 to August 31 for each year.

The District contributes for teacher positions as follows:

Days Missed	District Contribution
3 - 5 days	50% of employee deferrals up to \$500 annually
2 days	75% of employee deferrals up to \$700 annually
0 - 1 day	100% of employee deferrals up to \$1,000 annually

The District contributes for non-teacher positions as follows:

Days Missed	District Contribution
3 - 5 days	50% of employee deferrals up to \$200 annually
2 days	75% of employee deferrals up to \$300 annually
0 - 1 day	100% of employee deferrals up to \$400 annually

**Dallas Independent School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

A participant is 25% vested in his or her account after attaining two credited years of service, 50% vested after three years, and 100% vested after attaining four credited years of service in the Plan. A participant shall receive a Year of Service under the Plan for each Plan Year in accordance to the Service Requirements under the Teacher Retirement System of Texas (TRS). Upon meeting the requirements of "qualification of unreduced retirement" in accordance with the TRS, obtaining normal retirement age or upon death or permanent disability, a participant shall be 100% vested regardless of years of service. For the year ended June 30, 2011, the District contributed \$1,553,122 to the plan.

On May 26, 2011, the Board of Trustees voted to temporarily cease contributions to the plan for the plan year beginning September 1, 2011.

NOTE L: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. There were no significant reductions in insurance coverage from the prior year. The District purchases commercial insurance to cover general liabilities. There were significant reductions in insurance claims from the prior year. Reductions were the result of mandatory limited duty, medical case management, claim audits, safety training and other safety incentives, medical and hospital bill auditing and the implementation of the wellness program. There have been no claim settlements in excess of insurance coverage in the last three years.

Workers' Compensation

Beginning in 1989, the District moved from a self-insured workers' compensation program administered by a third party to a self-insured program administered by the District. The District currently reports all of its risk management activities in its Internal Service Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. The provision for reported claims and for claims incurred but not yet reported is determined by District management. During the year, the District entered into an agreement with a third party to contract directly with medical providers for their worker's compensation program and their injured employees. At June 30, 2011, the accrued liability for workers' compensation self-insurance of \$8.9 million includes incurred but not reported claims.

This liability is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as of the date of the financial statements, and the amount of loss can be reasonably estimated. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing the liability does not necessarily result in an exact amount. This liability is the District's best estimate based on available information.

**Dallas Independent School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

Changes in the reported liability resulted from the following:

Fiscal Year	Balance at Beginning of Year	Current Year Claims and Changes in Estimates	Claims Payments	Balance at End of Year
2009 - 2010	\$ 10,667,749	\$ 2,627,738	\$ (5,981,582)	\$ 7,313,905
2010 - 2011	7,313,905	7,152,461	(5,544,916)	8,921,450

Health Insurance

The Board of Trustees approved the District's participation in the Texas Retirement System ("TRS") Active Care Health Insurance Program as sponsored by the Teacher Retirement System of Texas and administered by Blue Cross Blue Shield of Texas and Medco Health (pharmacy) effective January 1, 2004. This is a premium-based plan: payments are made on a monthly basis for all covered employees.

Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the years ended June 30, 2011 and 2010, these on-behalf payments were \$2,698,557 and \$2,517,342, respectively, and were recorded as equal revenues and expenditures in the General Fund.

NOTE M: OTHER POST- EMPLOYMENT BENEFITS

Plan Description

The Dallas Independent School District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas. TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS Web site at www.trs.state.tx.us, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or calling 1-800-223-8778.

**Dallas Independent School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for the years ended June 30, 2011, 2010, and 2009. Per Texas Insurance code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. The District recorded revenue and expenditures in the General Fund of \$10.0 million for contributions paid on behalf of the District by the state for TRS-Care. District contributions were \$5,485,319, \$6,410,175 and \$6,525,993 for the years ended June 30, 2011, 2010 and 2009, respectively, which equaled the required contributions each year.

NOTE N: NEW ACCOUNTING PRONOUNCEMENTS

Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, which is effective for the District beginning in fiscal year 2013. This Statement addresses how to account for and report service concession arrangements (SCAs) by establishing recognition, measurement, and disclosure requirements for SCAs for both transferors and governmental operators.

Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No.34*, which is effective for the District beginning in fiscal year 2013. This Statement improves financial reporting for a governmental financial reporting entity by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of the entity.

Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which is effective for the District beginning in fiscal year 2013. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance included in the FASB and AICPA pronouncements issued on or before November 30, 1989. This Statement will improve financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source.

Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, is effective for the District for the year ending June 30, 2013. The standard will standardize the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position, rather than net assets.

Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53*, is effective for the District for the year ending June 30, 2012. This standard will clarify the circumstances in which hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced.

The District has not evaluated the impact of these statements.

**Dallas Independent School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011**

NOTE O: LITIGATION, CONTINGENCIES AND COMMITMENTS

The District is a defendant in various lawsuits arising principally in the normal course of operations. In the opinion of the District's management, the potential losses, after insurance coverage, on all allegations, claims, and lawsuits will not have a material effect on the District's financial position, results of operations or liquidity.

The District participates in a number of federal and state financial assistance programs. Although the District's grant programs have been audited in accordance with the provisions of the Single Audit Act through June 30, 2011, these programs are subject to financial and compliance audits by the grantor agencies. The District is also subject to audit by the TEA of the attendance data upon which payments from the agency are based. These audits could result in questioned costs or refunds to be paid back to the granting agencies.

The District has established and recorded a liability of \$2.9 million for the above mentioned amounts expected to be repaid to the granting agencies, and TEA.

Additionally, the District is in the process of an internal investigation of a federally funded tutoring program for expenditures incurred during fiscal years 2010 and 2011. Based upon preliminary procedures performed, the District has estimated the range of expected losses to be between \$1.0 million and \$2.5 million.

NOTE P: SUBSEQUENT EVENTS

On August 4, 2011, the District issued \$100,000,000 in multi-draw Tax Anticipation Notes (the "TANS"). The TANS were issued for the purpose of funding the District's cash flow requirements. Two "Request for Purchase" agreements were issued under the TANS on August 4, 2011 (\$65,000,000) and September 13, 2011 (\$35,000,000). The \$100,000,000 TANS are due by February 15, 2012.

Dallas Independent School District
Schedule of Revenues, Expenditures, and Changes in Fund Balances –
Budget (GAAP Basis) and Actual (Unaudited)
General Fund
For the Year Ended June 30, 2011

Exhibit G-1

Data Control Codes	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Local sources	\$ 766,596,572	\$ 766,785,160	\$ 777,660,194	\$ 10,875,034
State sources	462,819,121	462,819,121	417,317,962	(45,501,159)
Federal sources	21,971,057	12,029,057	14,525,292	2,496,235
Total revenues	1,251,386,750	1,241,633,338	1,209,503,448	(32,129,890)
Expenditures:				
Current:				
11 Instruction	738,842,394	736,437,441	675,741,849	60,695,592
12 Instructional resources and media services	23,871,329	25,319,310	23,075,616	2,243,694
13 Curriculum and staff development	10,374,179	12,034,353	10,450,152	1,584,201
21 Instructional leadership	26,256,910	25,679,264	23,407,377	2,271,887
23 School leadership	74,586,094	77,893,611	74,756,090	3,137,521
31 Guidance, counseling, and evaluation services	49,073,898	50,923,092	49,200,841	1,722,251
32 Social work services	2,736,069	2,786,650	2,540,821	245,829
33 Health services	17,226,327	17,705,100	16,191,903	1,513,197
34 Student transportation	24,440,072	25,445,861	22,966,333	2,479,528
36 Cocurricular/extracurricular activities	13,088,655	20,273,271	18,101,712	2,171,559
41 General administration	46,766,029	47,847,656	44,470,284	3,377,372
51 Plant maintenance and operations	151,042,326	153,972,483	146,939,161	7,033,322
52 Security & monitoring services	20,330,541	21,433,309	18,976,461	2,456,848
53 Data processing services	34,358,869	41,368,674	34,929,638	6,439,036
61 Community services	3,016,161	3,633,739	2,100,306	1,533,433
71 Debt Service	5,794,249	5,811,684	5,811,682	2
81 Facilities acquisition and construction	-	605	-	605
95 Payments juvenile justice AE	890,000	890,000	709,194	180,806
97 Payments to tax increment fund	4,000,067	4,000,067	3,610,740	389,327
99 Other intergovernmental charges	3,968,260	3,968,260	3,916,117	52,143
Total expenditures	1,250,662,429	1,277,424,430	1,177,896,277	99,528,153
Excess (deficiency) of revenues over (under) expenditures	724,321	(35,791,092)	31,607,171	67,398,263
Other Financing Sources (Uses):				
Sale of real or personal property	-	-	636,479	636,479
Transfers out	(504,321)	(504,321)	(213,023)	291,298
Legal settlements	(220,000)	-	-	-
Total other financing sources (uses)	(724,321)	(504,321)	423,456	927,777
Excess of revenues and other sources over expenditures and other uses	\$ -	\$ (36,295,413)	32,030,627	\$ 68,326,040
Fund balance - beginning, as restated			103,067,632	
Fund balance - ending			<u>\$ 135,098,259</u>	

See notes to Required Supplementary Information.

Dallas Independent School District
Notes to the Required Supplementary Information (Unaudited)
For the Year Ended June 30, 2011

The official budget was prepared for adoption for the General Fund. The budget is prepared on a basis consistent with generally accepted accounting principles. Project accounting is employed to maintain the integrity of the various sources of funds. There is no difference between GAAP and the budgetary basis of accounting. The following procedures are followed in establishing the budgetary data reflected in the general purpose financial statements:

1. Before June 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
3. Before July 1, the Board legally enacts the budget through passage of a resolution.

Once a budget is approved, it can be amended at the function and fund level only by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. Such amendments are made following the approval by the Board of Trustees, and are reflected in the official minutes.

The budget manager at the expenditure function/object level controls each budget. For budgetary purposes, appropriations lapse at fiscal year-end, and outstanding encumbrances at year-end are reappropriated in the next year.

The Texas Education Agency ("TEA") requires the budgets for the governmental fund types to be filed with the TEA. The expenditure should not exceed the budget in any functional category under TEA requirements.

**Dallas Independent School District
Schedule of Delinquent Taxes Receivable (Unaudited)
For the Year Ended June 30, 2011**

Exhibit J-1

Fiscal year (1)	Tax Rates		Net Assessed/ Appraised Value for School Tax Purposes	Beginning Balance	Current Year's Total Levy	Maintenance Total Collections	Debt Service Collections	Entire Year's Adjustments	Ending Balance
	Maintenance	Debt Service							
2002 and prior years	Various	Various	\$ 57,284,326,734	\$ 14,241,072	\$ -	\$ 309,263	\$ 19,078	\$ (2,086,677)	\$ 11,826,054
2003	1.47803	0.10950	58,484,300,287	3,179,593		71,879	5,325	(238,966)	2,863,423
2004	1.50000	0.13950	58,380,724,174	3,314,010		108,490	10,090	(142,622)	3,052,808
2005	1.50000	0.16694	59,372,699,642	3,690,880		180,369	20,369	(161,242)	3,328,900
2006	1.50000	0.18836	62,682,170,090	4,310,730		378,249	47,498	(226,959)	3,658,024
2007	1.33005	0.17259	69,473,558,853	7,047,016		636,690	82,618	(196,726)	6,130,982
2008	1.04005	0.15959	77,232,250,745	7,569,169		926,638	142,190	(465,870)	6,034,471
2009	1.04005	0.14335	82,815,157,987	12,528,061		2,598,054	358,095	(966,262)	8,605,650
2010	1.04005	0.23129	80,014,915,354	28,832,911		7,764,627	1,726,748	(7,006,596)	12,334,940
2011	1.04005	0.19776	75,985,949,045		912,283,518	742,978,895	141,274,231	(5,679,828)	22,350,564
Wilmer Hutchins (2)				1,777,870		89,272		(46,942)	1,641,656
1000 Totals				\$ 86,491,312	\$ 912,283,518	\$ 756,042,426	\$ 143,686,242	\$ (17,218,690)	\$ 81,827,472

9000 - Portion of Row 1000 for taxes paid into Tax Increment Zone Under Chapter 311, Tax Code

\$ 3,610,740

(1) The District changed the fiscal year end for the fiscal year ending June 30, 2003. 2003 reflects 10 months activity. All other years reflect 12 months of activity.
(2) Wilmer Hutchins ISD was annexed by the District effective July 1, 2007.

Dallas Independent School District
Schedule of Expenditures for Computations of Indirect Costs
General and Special Revenue Funds (Unaudited)
For the Year Ended June 30, 2011

Exhibit J-2

Function 41 and Related Function 53- General and Administration

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collection	3 (701) Superintendent's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (other)	7 Total
611X-6146	Payroll costs	\$ 348,237	\$ -	\$ 667,023	\$ 18,002,121	\$ 1,643,458	\$ 6,041,984	\$ 26,702,823
6149	Fringe benefits (used leave for separating employees in function 41 and Related 53)							-
6149	Fringe benefits (used leave for separating employees in all functions except function 41 and related 53)							-
6211	Legal services	6,335,251						6,335,251
6212	Audit services				1,166,028			1,166,028
6213	Tax appraisal and collection		477,887					477,887
621X	Other professional services	42,002			5,796	-	45,264	93,062
6220	Tuition and transfer payments						767	767
6230	Education Service Center Services				148,369		2,279,927	2,428,296
6240	Construction, maintenance and repair					439,417	929	440,346
6250	Utilities					1,128		1,128
6260	Rentals	6,003		12,287	147,811	81,664	91,025	338,790
6290	Miscellaneous contributions	460,660		44,967	9,433,403		2,052,224	11,991,254
6310	Supplies and materials				5,132			5,132
6320	Textbooks and reading materials	5,628		360	17,686		1,897	25,571
63XX	Other supplies materials	16,013		11,003	713,038	2,462	327,234	1,069,750
6410	Travel, subsistence and stipends	40,055		31,503	135,391		91,143	298,092
6420	Insurance				20,349			20,349
6430	Election costs	161,292						161,292
6490	Miscellaneous operating	122,528		11,888	330,229	-	598,320	1,062,965
6600	Capital outlay						44,532	44,532
6000	Total	\$ 7,537,669	\$ 477,887	\$ 779,031	\$ 30,125,353	\$ 2,168,129	\$ 11,575,246	\$ 52,663,315

Total expenditures for General and Special Revenue Funds \$ 1,553,446,290

Less: Deductions of unallowable costs:

Total capital outlay (6600)(only funds 100-199/200-499/810-879)	10	14,867,059
Total debt and lease (6500)(only funds 100-199/200-499/810-879)	11	5,811,682
Plant maintenance (function 51, 6100-6400)	12	150,002,997
Food (function 35, 6341)	13	32,786,316
		203,468,054
Net allowed direct cost		1,349,978,236
Total cost of buildings before depreciation (1520)	15	2,407,104,169
Historical cost of buildings over 50 years old	16	398,929,551
Amount of Federal money in building cost (net of above)	17	36,386
Total cost of furniture & equipment before depreciation (1530&1540)	18	197,400,994
Historical cost of furniture & equipment over 16 years old	19	9,152,363
Amount of Federal money in furniture & equipment (net of above)	20	14,951,438

(8) Note A - -0- in function 53 expenditures are included in this report on administrative costs.

**Dallas Independent School District
Fund Balance and Cash Flow Calculation Worksheet
General Fund (Unaudited)
June 30, 2011**

Exhibit J-3

Data Control Code	Explanation	Amount
1	Total General Fund Balance 6/30/11 (Exhibit C-1 object 3000 for the General Fund Only)	<u>\$ 135,098,259</u>
2	Total Non-Spendable Fund Balance (from Exhibit C-1 - total of object 341X-344X for General Fund only)	<u>6,757,739</u>
3	Total Restricted Fund Balance (from Exhibit C-1 - total of object 345X-349X for the General Fund only)	<u>-</u>
4	Total Committed Fund Balance (from Exhibit C-1 - total of object 351X-354X for the General Fund only)	<u>-</u>
5	Total Assigned Fund Balance (from Exhibit C-1 - total of object 355X-359X for the General Fund only)	<u>6,633,164</u>
6	Estimated amount needed to cover all cash flow deficits in General Fund (net of borrowed funds and funds representing deferred revenues) (unaudited)	<u>-</u>
7	Estimate of two month's average cash disbursements during the fiscal year	<u>196,316,046</u>
8	Estimate of delayed payments from state sources (58xx)	<u>160,557,948</u>
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate and District Planning Estimate or District's calculated earned state aid amount.	<u>-</u>
10	Estimate of delayed payments from federal sources (59xx)	<u>60,826,306</u>
11	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Funds (uses of General Fund cash after bond referendum and prior to issuance of bonds).	<u>-</u>
12	Optimum Fund Balance and Cash Flow (2+3+4+5+6+7+8+9+10) (unaudited)	<u>431,091,203</u>
13	Excess/(Deficit) Undesignated Unreserved General Fund Balance (1-11) (unaudited)	<u>\$ (295,992,944)</u>

**Dallas Independent School District
 Budgetary Comparison Schedule – Nonmajor Fund
 Food Service Fund (Budgetary Basis) (Unaudited)
 For the Year Ended June 30, 2011**

Exhibit J-4

Data Control Codes		Budgeted Amounts			Variance with Final Budget Positive (Negative)
		Original Budget	Final Budget	Actual	
	Revenues:				
5700	Local and intermediate sources	\$ 6,859,472	\$ 6,859,472	\$ 6,321,941	\$ (537,531)
5800	State program revenues	575,000	575,000	535,822	(39,178)
5900	Federal program revenues	73,836,971	73,836,971	73,237,296	(599,675)
	Total revenues	<u>81,271,443</u>	<u>81,271,443</u>	<u>80,095,059</u>	<u>(1,176,384)</u>
	Expenditures:				
35	Food service	77,670,551	87,899,483	82,283,969	5,615,514
51	Plant maintenance and operations	3,600,892	3,600,892	2,558,724	1,042,168
	Total expenditures	<u>\$ 81,271,443</u>	<u>\$ 91,500,375</u>	<u>84,842,693</u>	<u>\$ 6,657,682</u>
	Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ (10,228,932)</u>	<u>(4,747,634)</u>	<u>\$ 5,481,298</u>
	Fund balance - beginning			<u>24,928,149</u>	
	Fund balance - ending			<u>\$ 20,180,515</u>	

**Dallas Independent School District
 Budgetary Comparison Schedule – Debt Service Fund
 (Budgetary Basis) (Unaudited)
 For the Year Ended June 30, 2011**

Exhibit J-5

Data Control Codes		Budgeted Amounts			Variance with Final Budget Positive (Negative)
		Original Budget	Final Budget	Actual	
	Revenues:				
5700	Local and intermediate sources	\$141,922,761	\$142,590,926	\$156,929,553	\$ 14,338,627
7900	Other Financing Sources	-	261,051,537	261,412,429	360,892
	Total revenues	<u>141,922,761</u>	<u>403,642,463</u>	<u>418,341,982</u>	<u>14,699,519</u>
	Expenditures:				
71	Principal and interest on long-term debt	141,922,761	121,958,259	121,165,357	792,902
8900	Other Financing Uses	-	259,446,830	259,446,830	-
	Total expenditures	<u>\$141,922,761</u>	<u>\$381,405,089</u>	<u>380,612,187</u>	<u>\$ 792,902</u>
	Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ 22,237,374</u>	37,729,795	<u>\$ 15,492,421</u>
	Fund balance - beginning			74,280,273	
	Fund balance - ending			<u><u>\$ 112,010,068</u></u>	

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Members of the Board of Trustees
Dallas Independent School District
Dallas, Texas

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Dallas Independent School District (the "District") as of and for the year ended June 30, 2011, which collectively comprises the District's basic financial statements, and have issued our report thereon dated November 17, 2011, which included an emphasis paragraph for the adoption of Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Dallas Education Foundation, as described in our report on the District's financial statements. The financial statements of the Dallas Education Foundation were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as findings 2011-01 through 2011-04, that we consider to be significant deficiencies in internal control over financial reporting.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

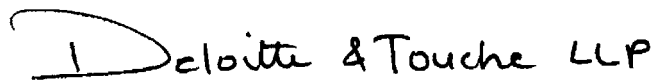
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the District in a separate letter dated November 17, 2011.

The District's responses to the findings identified in our audit are described in the accompanying corrective action plan. We did not audit the District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Trustees, others within the District, and the Texas Education Agency, federal awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Deloitte & Touche LLP

November 17, 2011

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Members of the Board of Trustees
Dallas Independent School District
Dallas, Texas

Compliance

We have audited the Dallas Independent School District's (the "District") compliance with the types of compliance requirements described in the U.S. OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Dallas Independent School District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

Except as Discussed in the following paragraph, we conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

As described in finding 2011-05 in the accompanying schedule of findings and questioned costs, we were unable to obtain sufficient documentation supporting the compliance of the Dallas Independent School District with the requirements regarding allowable costs and cost principles that are applicable to the Supplemental Education Services portion of the Title I – Part A, nor were we able to satisfy ourselves as to the District's compliance with those requirements by other auditing procedures. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

In our opinion, except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding the District's compliance with the requirements of the Supplemental Education Services portion of the Title I – Part A grant regarding allowable costs and cost principles, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which

are described in the accompanying schedule of findings and questioned costs as findings 2011-06 through 2011-08.

Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

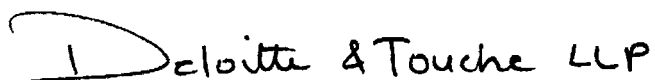
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, and material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as findings 2011-05 and 2011-06 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as finding 2011-08 to be a significant deficiency.

The District's responses to the findings identified in our audit are described in the accompanying corrective action plan. We did not audit the District's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the Board of Trustees, others within the District, the Texas Education Agency, federal awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Deloitte & Touche LLP

November 17, 2011

**DALLAS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011**

Pass-Through Grantor's Number	Federal/State Grantor-Pass Through Grantor/Program Title	Federal CFDA Number	Audit Period Expenditures
	U.S. DEPARTMENT OF EDUCATION		
	TEACHER INCENTIVE FUND CLUSTER		
	Direct		
	Teacher Incentive Fund	84.374A	\$ 2,691,055
	Teacher Incentive Fund-Recovery Act	84.385A	4,423,663
	Total Direct		<u>7,114,718</u>
	TOTAL TEACHER INCENTIVE FUND CLUSTER		<u>7,114,718</u>
	SPECIAL EDUCATION CLUSTER (IDEA)		
	Passed Through Texas Education Agency		
116600010579056600	IDEA-B Formula	84.027A	19,517,388
10554001057905	IDEA-B Formula-ARRA	84.391A	17,455,363
106600020579056673	IDEA-B Discretionary (Deaf)	84.027A	106,934
116600020579056673	IDEA-B Discretionary (Deaf)	84.027A	354,809
116600010579056601	IDEA-B Formula (Deaf)	84.027A	112,702
116610010579056610	IDEA-B Preschool	84.173A	356,004
10555001057905	IDEA-B Preschool-ARRA	84.392A	556,184
116610010579056611	IDEA-B Preschool (Deaf)	84.173A	29,715
	Total Passed Through Texas Education Agency		<u>38,489,099</u>
	Region 10 Education Service Center		
1166002271210	IDEA-B Visually Impaired	84.027A	10,400
	Total Region 10 Education Service Center		<u>10,400</u>
	TOTAL SPECIAL EDUCATION CLUSTER (IDEA)		<u>38,499,499</u>
	TITLE I, PART A CLUSTER		
	Passed Through Texas Education Agency		
11610101057905	Title I, Part A-Improving Basic Programs	84.010A	75,189,478
10551001057905	Title I, Part A-ARRA	84.389A	30,781,706
11610103057905	Title I, Part D, Subpart 2-Delinquent Program	84.010A	42,075
11551004057905	Title I School Improvement Program - ARRA	84.389A	729,753
11610104057905	Title I School Improvement Program	84.010A	8,863,027
10551003057905	Title I, Part D- Subpart 2-ARRA	84.389A	26,977
	Total Passed Through Texas Education Agency		<u>115,633,016</u>
	TOTAL TITLE I, PART A CLUSTER		<u>115,633,016</u>
	SCHOOL IMPROVEMENT GRANTS CLUSTER		
	Passed Through Texas Education Agency		
10610701057905	Title I School Improvement Program	84.377A	1,506
1055200171100XX	Texas Title I Priority School Grant - ARRA	84.388A	982,989
	Total Passed Through Texas Education Agency		<u>984,495</u>
	TOTAL SCHOOL IMPROVEMENT GRANTS CLUSTER		<u>984,495</u>
	EDUCATIONAL TECHNOLOGY STATE GRANTS CLUSTER		
	Passed Through Texas Education Agency		
10630001057905	Title II, Part D, Enhancing Education Through Technology	84.318X	46,550
10553001057905	Title II, Part D, Subpart 1 - Enhancing Ed Through Technology - ARRA	84.386A	2,010,384
	Total Passed Through Texas Education Agency		<u>2,056,934</u>
	TOTAL EDUCATIONAL TECHNOLOGY STATE GRANTS CLUSTER		<u>2,056,934</u>
	EDUCATION OF HOMELESS CHILDREN AND YOUTH CLUSTER		
	Region 10 Education Service Center		
00-001	McKinney-Vento Homeless Education	84.196A	151,177
00-001	McKinney-Vento Homeless Education	84.387A	24,958
A09-003	Education for the Homeless Children and Youth-ARRA	84.387A	349,806
	Total Region 10 Education Service Center		<u>525,941</u>
	TOTAL EDUCATION OF HOMELESS CHILDREN AND YOUTH CLUSTER		<u>525,941</u>

(continued)

**DALLAS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011**

<u>Pass-Through Grantor's Number</u>	<u>Federal/State Grantor-Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Audit Period Expenditures</u>
	OTHER		
	Direct		
	Project MASS	84.350B	\$ 46,075
	Indian Education	84.060A	125,402
	Foreign Languages Assistance Program	84.293B	13,442
	Teaching American History	84.215X	302,414
	Bridges To Teaching	84.350A	284,238
	Caminos Project	84.350	27,000
	Project KNOTT	84.350C	250,632
	Total Direct		<u>1,049,203</u>
	Passed Through Texas Education Agency		
114100017110368	Adult Education & Family Literacy Continuation	84.002A	2,827,696
114100087110372	Adult Ed Engl Lit & Civics Awareness Cont.	84.002A	99,649
113911010579053911	IDEA-C ECI	84.181A	4,331
10557001057905	ARRA Title XIV SFSF	84.394A	43,221,075
11420006057905	Carl D. Perkins, Title I, Part C	84.048A	2,889,405
10691001057905	Title IV, Part A-Safe & Drug Free School & Communities	84.186A	30,650
106950117110012	TX 21st Century Learning Center, Cycle 4	84.287C	326,289
096455117110003	Texas Reading First -Capacity Building	84.357A	1,095,240
096455127110003	Texas Reading First -Demo Site	84.357A	385,882
11671001057905	Title III, Part A- LEP	84.365A	6,406,963
11694501057905	Title II, Part A-Teacher and Principal Training & Recruiting	84.367A	11,380,405
11550101057905	Education Jobs (ARRA)	84.410A	26,525,516
	Summer School LEP	84.369A	12,892
	Total Passed Through Texas Education Agency		<u>95,205,993</u>
	Passed Through Texas Workforce Commission		
0610ATP000	Texas Workforce Commission	17.260	92,782
	Total Passed Through Texas Workforce Commission		<u>92,782</u>
	OTHER TOTAL		<u>96,347,978</u>
	TOTAL U.S. DEPARTMENT OF EDUCATION		<u>261,162,581</u>
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
	Passed Through Texas Health and Human Services Commission		
529-11-0029-00008	Refugee School Impact	93.576	108,122
5U87DP001254-03	Improving Health and Educational Outcomes of Young People	93.938	53,775
	Total Passed Through Texas Health and Human Services Commission		<u>161,897</u>
	Passed Through Texas Education Agency		
103625017110305	Federal-TANF	93.558	14,915
103625017110305	Federal-TANF	93.558	1,991
113625017110345	Federal-TANF	93.558	466,007
	Total Passed Through Texas Education Agency		<u>482,913</u>
	Passed Through Head Start of Greater Dallas		
057905-1	Head Start of Greater Dallas	93.600	432,680
	Total Passed Through Head Start of Greater Dallas		<u>432,680</u>
	Passed Through Health and Human Services Commission		
057905-2	Medicaid and School Health Related Services	93.778	1,406,610
	Total Passed Through Health and Human Services Commission		<u>1,406,610</u>
	TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		<u>2,484,100</u>

(continued)

**DALLAS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011**

Pass-Through Grantor's Number	Federal/State Grantor-Pass Through Grantor/Program Title	Federal CFDA Number	Audit Period Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
CHILD NUTRITION CLUSTER			
	Passed Through Texas Education Agency		
057-905	National School Breakfast	10.553	\$ 12,347,255
057-905	National School Lunch	10.555	<u>52,617,552</u>
	Total Passed Through Texas Education Agency		<u>64,964,807</u>
	Passed Through Texas Department of Agriculture		
057-1034	Summer Feeding Program	10.559	<u>2,672,173</u>
	Total Passed Through Texas Department of Agriculture		<u>2,672,173</u>
	Direct		
75-057005A200	Schools/Child Nutrition Commodity Program (Noncash)	10.555	<u>5,600,316</u>
	Total Direct		<u>5,600,316</u>
	TOTAL CHILD NUTRITION CLUSTER		<u>73,237,296</u>
	TOTAL U.S. DEPARTMENT OF AGRICULTURE		<u>73,237,296</u>
	Office of the Governor Criminal Justice Division		
DJ-09-A10-23436-01	Mobile Data Computers	16.738	<u>72,838</u>
	Total Office of the Governor Criminal Justice Division		<u>72,838</u>
	Department of Defense		
057905-3	JROTC	12.000	<u>1,917,775</u>
	Total Department of Defense		<u>1,917,775</u>
	TOTAL FEDERAL ASSISTANCE		<u>\$ 338,874,590</u>

See notes to the Schedule of Expenditures of Federal Awards

(concluded)

**DALLAS INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011**

1. The District utilizes the fund types specified in the Texas Education Agency Resource Guide.

Special Revenue Funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state awards generally are accounted for in a special revenue fund. Generally, unused balances are returned to the grantor at the close of specified grant periods.

2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental funds are accounted for using a current financial resources measurement focus. All federal grant funds were accounted for in the special revenue funds, which are governmental funds. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for the governmental funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and accordingly, when such funds are received, they are recorded as deferred revenues until earned. The accompanying schedule of expenditures of federal awards is presented on the modified accrual basis of accounting.

3. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extends 30 days beyond the federal project period ending date, in accordance with provisions in Section H: Period of Availability of Federal Funds, Part 3, *OMB Circular A-133 Compliance Supplement*.
4. The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustments by the grantor agencies; therefore, to the extent that the District has not complied with rules and regulations governing the grants, refund of any money received may be required and the collectability of any related receivable at June 30, 2011, may be impaired.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I—Summary of Auditors' Results

Financial Statements

- 1. Type of auditor's report issued: Unqualified
- Internal control over financial reporting:
- 2. Material weaknesses identified? _____ yes no
- 3. Significant deficiencies identified that are not considered to be material weaknesses? yes _____ none reported
- 4. Noncompliance material to financial statements noted? _____ yes no

Federal Awards

- Internal control over major programs:
- 5. Material weaknesses identified? yes _____ no
- 6. Significant deficiencies identified that are not considered to be material weaknesses? yes _____ none reported
- 7. Type of auditor's report issued on compliance for major programs:
 - Unqualified, except for allowable costs/allowable activities related to the Supplemental Education Services portion of Title I, Part A, which is qualified with a scope limitation
- 8. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? yes _____ no
- 9. Identification of major programs:
 - 84.010 and 84.389 (ARRA) – Title I, Part A
 - 84.367 – Title II, Part A
 - 84.365 – Title III, Part A
 - 84.027, 84.173, 84.391(ARRA), and 84.392(ARRA) – Special Education Cluster
 - 84.374 and 84.385 (ARRA) – Teacher Incentive Fund
 - 84.394 (ARRA)– State Fiscal Stabilization Funds
 - 84.410A (ARRA) – Education Jobs
 - 10.553, 10.555, and 10.559 – Child Nutrition Cluster
- 10. Dollar threshold used to distinguish between Type A and Type B programs: \$3,000,000
- 11. Auditee qualified as low-risk auditee? _____ yes no

Section II—Financial Statement Findings

2011-01 – Treasury Accounting and Controls

Significant Deficiency in Controls

Observation: The Treasury function is responsible for overseeing the District’s investing and debt activities. The issuance of debt obligations, refunding transactions, recording of related entries, and monitoring of compliance is performed by Treasury Department personnel.

1. A number of audit adjusting entries were recorded to correct errors in the calculations and recording of losses on debt refundings, premiums/discounts, and accrued interest. In addition, the District did not accrue the interest rate subsidy earned on its Build America Bonds as of June 30, 2011.
2. The District has not implemented independent control procedures that require the evaluation of each investment as to its compliance with District policy and the public funds investment act, and the proper classification and disclosure of such investments in the footnotes as it relates to risk.

Recommendation: District management should evaluate reporting lines to determine whether appropriate reviews are required for debt transactions given the current reporting authority. Reviews should be performed by someone with a thorough understanding of complex accounting issues.

All investment and debt transactions should be reviewed for compliance with both state law and accounting and reporting standards. Treasury personnel should review both the agreements and final transactions to ensure the District’s compliance. In addition, consider requiring relevant training for individuals responsible for the accounting of treasury related transactions.

2011- 02 User Access Management and Security

Significant Deficiency in Controls

Observation: The following control weaknesses were noted in the District's controls over user access management and configuration of security parameters related to information systems that process financial data VBOSS / Fast Lane / OneSource (Food Services IT):

- For the Food Services IT applications VBOSS and Fast Lane, the security parameters are not configured to force system users to use a strong password. This includes the system enforced requirements, where available, for the user to use a strong password of certain number of characters, combination of letters, numbers and special characters in the password, periodic change requirement, restricting the user from use of a recently used password again, failed login attempts, account lockout after failed login attempts and encrypting the passwords when they are stored internally in the system. Users are required to authenticate to the network before accessing the above systems. However, to implement effective security, management should implement strong password controls for all the application systems. Based on discussions with Food Services management the VBOSS and Fast Lane applications have been decommissioned and migrated to Horizon One Source as of August 2011.
- Food Services IT management has not implemented a periodic review of user access for the operating system or database that supports VBOSS / Fast Lane / OneSource.
- For the Food Services IT applications Fast Lane and OneSource, database (SQL server) administrator access is granted inappropriately.

- For the Food Services IT application VBOSS, end users have access to remotely connect to the servers under a Windows group which has administration rights on the servers. Based on discussions with Food Services management the VBOSS application has been decommissioned and migrated to Horizon One Source as of August 2011.

Lack of controls over information systems access and inappropriate configuration of security parameters can lead to unauthorized transactions being executed, compromising the intended segregation of duties and potentially causing lack of integrity and reliability of information produced by the systems.

Recommendation: District management should document and implement policies and procedures to adequately control system access and to ensure appropriate configuration of security parameters. Appropriate monitoring controls should be established to ensure the documented policy is being followed by the users of IT systems.

2011- 03 Controls over SES Grant Funded Program

Significant Deficiency in Controls

Observation: The District receives Title I, Part A and Title I, Part A – ARRA entitlement grant funds (collectively, “Title I”) to provide additional education resources to low-income schools. A portion of the Title I funds are required to be earmarked for supplemental education services (“SES”), primarily tutoring services. A number of District students participated during the year in the Title I SES afterschool tutoring program passed through the Texas Education Agency (TEA). In accordance with state requirements, tutoring vendors are prequalified by the TEA; vendors recruit the tutors and pay them based on the number of student tutoring hours. The District is billed by the vendors based on invoices submitted and related supporting documentation which consists of sign-in sheets signed by the student and the tutor.

During the audit, we noted that the District did not properly implement controls that were originally designed to ensure that payments made to vendors related to tutoring classes that were actually held. As a result, compliance findings were reported in the single audit reports relating to amounts paid to vendors that appear to be questionable.

Recommendation: Implement controls at the campus level and at the central office level that require the comparison of supporting documentation obtained independently by the District directly from the tutor and campus liaison to supporting documentation received from the vendor prior to remitting payments to vendors. In addition, implement procedures that require the independent review of payments made to tutors who are District employees to ensure that they are not paid more than once per tutoring hour.

2011-04 Controls Over the Integrity of Worksheets used to Support Transactions

Significant Deficiency in Controls

Observation: The District currently uses a number of spreadsheets to support underlying calculations for accounting entries or accounting estimates. While control procedures have been implemented requiring the review of information produced to support the journal entries by someone independent of the preparer, certain instances were noted in which clerical errors in calculations were made or spreadsheets were manipulated after they had been reviewed.

- Clerical errors in the tax allowance supporting spreadsheets were noted that required adjustments to be recorded

- The District identified instances where supporting spreadsheets of risk management claims payment requests were manipulated that resulted in the improper payment to a third party.

Recommendation: Develop and institute detail control procedures that require the reviewer of journal entries to perform a detailed independent review of clerical accuracy of spreadsheets used to support adjustments. Include procedures to ensure that posted or paid amounts agree to approved amounts and that data integrity is maintained and unauthorized changes are not made prior to posting of the entries.

Section III—Federal Award Findings and Questioned Costs

2011-05 TITLE I SES GRANT PROGRAM Title I (84.010A, 84.389A-ARRA)

Allowable Costs and Cost Principles – Material Weakness in Controls and Material Noncompliance

Criteria – OMB Circular A-133 requires entities receiving federal funds to maintain internal control over federal programs that provides reasonable assurance that they are managing federal awards in compliance with laws, regulations, and the provisions of contracts or agreements that could have a material effect on its federal programs. Additionally, OMB Circular A-87 requires that governments assume responsibility for administering Federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the Federal award.

Condition – The District’s internal controls failed to identify weaknesses in SES vendor billings that resulted in multiple instances of amount paid to vendors for tutoring services provided with supporting documentation obtained directly from vendors instead of matching the invoices submitted by vendors to independent supporting documentation obtained from campus liaison whose responsibilities are to oversee the tutoring at the campus. As a result, questioned invoices were identified that are being further investigated by District management for potential fraud.

Perspective – 35 of 74 invoices selected for testing did not have adequate or accurate support to allow us to form a conclusion as to the District’s compliance with this requirement

Questioned Costs – \$1,108,718

Cause – Department management responsible for reviewing and approving vendor invoices rejected a number of invoices but did not follow up on rejected invoices to determine whether District employees had signed the rejected invoices, nor did they report the rejected invoices to upper management to further investigate. Additionally, procedures were not implemented that required the matching of the campus liaison sign-in sheets to the vendor-submitted sign-in sheets and related invoices as a part of payment approval procedures.

Effect – Controls over allowable cost requirements for the SES program of the Title I grant were not operating effectively and as a result we were unable to determine whether payments made to vendors related to services that were provided during the year. Additionally, the District did not comply with allowable costs requirements for the SES program of the Title I grant for the year ended June 30, 2011.

Recommendation – Implement controls at the campus level and at the central office level that require the comparison of supporting documentation obtained independently by the District from the tutor and campus liaison to supporting documentation received from the vendor prior to remitting payments to vendors. In addition, implement procedures that require the independent review of payments made to tutors who are District employees to ensure that they are not paid more than once per tutoring hour.

View of Responsible Officials – See corrective action plan.

**2011-06 ELIGIBILITY FOR THE TEACHER INCENTIVE FUND
Teacher Incentive Fund (84.374, 84.385 - ARRA)**

Allowable Costs and Cost Principles, Eligibility – Material Weakness in Controls, Noncompliance

Criteria – OMB Circular A-133 requires entities receiving federal funds to maintain internal control over federal programs that provides reasonable assurance that they are managing federal awards in compliance with laws, regulations, and the provisions of contracts or agreements that could have a material effect on its federal programs.

Condition – The District did not properly identify employees eligible to receive the hard to staff incentive pay from the Teacher Incentive Fund. Errors in the Department’s identification process led to an approximately 50% error rate in the initial identification of personnel coded to the hard to staff portion of grant who were ineligible to be paid from the grant. Subsequent to the findings that we identified at an interim date, the District reviewed all of the employees that were included in the reimbursement request, and adjusted the support for the amount requested for reimbursements related to ineligible personnel, and identified personnel that met the Grant’s eligibility requirements as a basis for its grant request. Further testing of these substituted employees identified one employee that did not meet the eligibility requirements.

Perspective – 1 of 60 individuals selected for testing were noted to be ineligible.

Questioned Costs – \$8,400

Cause – Errors in the Department’s eligibility determination spreadsheet formulas caused ineligible personnel to be labeled as “eligible.” Insufficient review by program managers did not identify weaknesses in the implementation of the control process to ensure that ineligible personnel were properly identified and removed from the grant.

Effect – Controls were not operating effectively to identify personnel eligible to receive the Teacher Incentive Grant award.

Recommendation – Establish policies and procedures to test the spreadsheet formulas and review the eligibility of all employees receiving incentive pay from grant funds prior to payment. Ensure that controls are appropriately designed and implemented and operating effectively to determine eligibility and that documentation of control procedures performed is maintained.

View of Responsible Officials – See corrective action plan.

**2011-07 DISPOSAL OF ASSETS PURCHASED WITH GRANT FUNDS
Child Nutrition Cluster (10.553, 10.555, 10.559); Special Education Cluster (84.027, 84.173,
84.391-ARRA, and 84.392-ARRA)**

Equipment and Real Property Management – Deficiency in Controls – Noncompliance with Grant Requirements

Criteria – Federal program guidelines require that the federal awarding agency be notified when a government sells or otherwise disposes of equipment or other real property purchased with grant funds with values greater than \$5,000.

Condition – Two assets purchased with federal funds were disposed in the current year. Program officials did not have a process in place to determine whether the value of the assets exceeded \$5,000 and were

required to be reported to the funding agencies. Upon request, program managers verified that one asset had a fair value of less than \$5,000 (Child Nutrition Cluster) and one asset had a fair value in excess of \$5,000 (Special Education Cluster) and was subsequently reported by Grants Management to the appropriate grantor.

Perspective/Instances – Child Nutrition Cluster: 1 of 1 selection; Special Education Cluster: 1 of 1 selection

Questioned Costs – Not applicable

Cause – Controls are not in place to ensure that all equipment disposals or retirements are reported to federal agencies that funded the original purchases as required.

Effect – Controls are not in place to monitor compliance with federal grant requirements.

Recommendation – Implement procedures to track assets disposals and require reporting to federal and/or pass-through agencies that funded the initial purchases when appropriate.

View of Responsible Officials – See corrective action plan.

**2011-08 UNUSED EQUIPMENT PURCHASED WITH GRANT FUNDS
Special Education Cluster (84.027, 84.173, 84.391- ARRA, 84.392 - ARRA)**

Equipment and Real Property Management and Allowable Costs/Cost Principles –Significant Deficiency in Controls – Noncompliance with Grant Requirements

Criteria – Federal program guidelines require that equipment purchased with grant money be maintained and used by the program for which it was acquired or, when appropriate, other federal programs.

Condition – Computers purchased with funds from the Special Education Cluster were determined to have not been put into use as of the date of the audit procedures. The Department had not yet determined a plan for deployment of the assets more than 4 months from the purchase date.

Perspective/Instances –1 of 15 selections

Questioned Costs –\$1,306,902

Cause – Controls are not in place to ensure that all equipment purchased with federal grant funds is used for the purpose it was intended.

Effect – The District did not comply with federal grant requirements.

Recommendation – Implement procedures to track assets purchased with federal funds to ensure they are being used by the program for which they were acquired.

View of Responsible Officials – See corrective action plan.

CORRECTIVE ACTION PLAN

2011-01 – Treasury Accounting and Controls

Responsible Party – Marian Hamlett

Corrective Action – The District has created a new accounting position to work with the Treasury Department on all accounting issues and the Investment Committee membership will be expanded to add staff with additional investment experience.

Expected Completion Date – March, 31, 2012

2011- 02 User Access Management and Security

Responsible Party – Dora Rivas

Corrective Action – Food Services has decommissioned VBOSS and Fast Lane applications as of August 2011. Security parameters in the new OneSource system will provide an enhanced security control over the application. OneSource can leverage Microsoft Active Directory Domain-based authentication to achieve the password characteristics required including Enforce password history, Maximum password age, Minimum password age, Minimum password length, and Designate password complexity requirements. Food Services IT is currently developing policy and procedures to implement a periodic access review process of Food Service Systems. Food Services IT is in the process of validating all user access as they relate to the appropriate segregation of duties and to enforce user accountability including database administrator access.

Expected Completion Date – Completed

2011- 03 Controls over SES Grant Funded Program

Responsible Party – Steve Korby

Corrective Action – In September 2011, the monitoring and compliance function for the SES program was restructured and significant additional monitoring controls were implemented. Additionally, SES vendor contracts were modified to add requirements for more verification prior to payment of invoices.

Expected Completion Date – January 31, 2012

2011-04 Spreadsheet Controls and Integrity

Responsible Party – Marian Hamlett

Corrective Action – The District has created a new accounting position to add an additional layer of review on complex accounting transactions and the supporting calculations.

Expected Completion Date – March 31, 2012

2011-05 TITLE I SES GRANT PROGRAM

Responsible Party – Steve Korby

Corrective Action– In September 2011, the monitoring and compliance function for the SES program was restructured and significant additional monitoring controls were implemented. Additionally, SES vendor contracts were modified to add requirements for more verification prior to payment of invoices.

Expected Completion Date – January 31, 2012

2011-06 ELIGIBILITY FOR THE TEACHER INCENTIVE FUND

Responsible Party – Marian Hamlett

Corrective Action – Management has established appropriate internal controls and policies and procedures to ensure that only eligible incentive awards are charged to the Teacher Incentive Fund.

Expected Completion Date – December 31, 2011

2011-07 DISPOSAL OF ASSETS PURCHASED WITH GRANT FUNDS

Responsible Party – Steve Korby

Corrective Action - Prior to the retirement of any capital assets purchased with federal funds, the District will obtain written confirmation from the organization requesting the disposal that the awarding agency has been notified.

Expected Completion Date – December 31, 2011

2011-08 UNUSED EQUIPMENT PURCHASED WITH GRANT FUNDS

Responsible Party – Angela Pittman

Corrective Action – Departmental Staff will receive additional training as necessary to ensure compliance with appropriate laws and regulations. The department will also conduct an annual physical inventory of capital assets purchased with federal grant funds.

Expected Completion Date – May 31, 2012

STATUS OF PRIOR YEAR FINDINGS

2010-01 INFORMATION TECHNOLOGY POLICIES AND PROCEDURES

Corrective Action – Information Technology (“IT”) will continue to formalize policies, procedures and controls and train appropriate District staff on how to properly execute and document the performance of key activities of IT systems and monitor compliance.

Food Services IT has established a control management committee that meets periodically to design, implement, execute and monitor policies and procedures. This committee will develop policies and procedures regarding equipment management, user account management, data conversions and backup and restore procedures.

Finding was corrected through written policies and procedures.

2010-02 USER ACCESS MANAGEMENT AND SECURITY

Corrective Action – IT instituted a periodic user access review process and will continue to formalize policies, procedures related to access management and security.

Food Services IT has implemented a periodic access review process of the Food Services systems and is in the process of validating all user access as it relates to appropriate segregation of duties.

This is a repeat finding in the current year single audit report. See corrective action plan. (Finding 2011-01)

2010-03 SYSTEM CHANGE MANAGEMENT

Corrective Action – IT has implemented a change management process in April 2010 and has developed appropriate policies and procedures.

Food Services IT has implemented a change control system and has developed appropriate policies and procedures.

Finding was corrected through the implementation of a change control system accompanied with appropriate policies and procedures.

2010-04 FINANCIAL CLOSING AND REPORTING PROCEDURES

Responsible Party – Steve Korby

Corrective Action – Accounting Services will continue to identify areas of needed training and provide qualified instruction in those areas and will modify the timeframe for completion of certain annual processes. Year-end procedures will be appropriately documented and disseminated to aid in cross-functional training.

Finding was corrected through implementation of additional controls and documentation of year end procedures.

2010-05 MANAGEMENT OF CAPITAL ASSETS PURCHASED WITH GRANT FUNDS

Responsible Party – Steve Korby and Dora Rivas

Corrective Action – During fiscal year 2011, Management will complete a comprehensive inventory of all fixed assets purchased with federal funds.

Finding was corrected through a fixed asset inventory.

2010-06 CONTROLS OVER ELIGIBILITY FOR THE TEACHER INCENTIVE FUND

Responsible Party – Leng Fritsche

Corrective Action – Management has established appropriate internal controls and policies and procedures to ensure that incentive awards are only paid to eligible employees and appropriate documentation is retained to support these payments.

This is a repeat finding in the current year single audit report. See corrective action plan. (Finding 2011-06)

2010-07 PARENTAL INVOLVEMENT

Responsible Party – Michael Ralston and Steven Korby

Corrective Action – Management will continue to work with the parental involvement program director to develop procedures to ensure guidelines are followed at all levels as required by federal guidelines. Additionally staff will meet with Texas Education Agency (“TEA”) monitor for program guidance and training.

This finding was corrected through the development of appropriate procedures and monitoring.

2010-08 UNUSED EQUIPMENT PURCHASED WITH GRANT FUNDS

Responsible Party – Angela Pittman

Corrective Action – Departmental staff will receive additional training as necessary to ensure compliance with appropriate laws and regulations. The department will also conduct an annual physical inventory of capital assets purchased with federal grant funds.

This is a repeat finding in the current year single audit report. See corrective action plan. (Finding 2011-08)

2010-09 INSUFFICIENT DOCUMENTATION OF PAYROLL AND PAYROLL RELATED COSTS

Responsible Party – Leng Fritsche

Corrective Action – Management has established appropriate internal controls and policies and procedures to ensure that incentive awards are only paid to eligible employees and appropriate documentation is retained to support these payments.

This finding was corrected through the development of appropriate procedures and monitoring.

2010-10 TIME AND EFFORT DOCUMENTATION

Responsible Party – Steve Korby

Corrective Action – Management will establish policies and procedures for timely collection of accurate time and effort certifications. Management will also continue to review and reconcile employee assignment and general ledger postings on a regular basis and document the resolution of all discrepancies.

This finding was corrected through the development of appropriate procedures and monitoring.

2010-11 PROCUREMENT

Responsible Party – Gary Kerbow

Corrective Action – Management will develop a review process to ensure all required information is contained in each procurement file and the retrieval of required bid files can be obtained in a timely manner.

This finding was corrected through the development of appropriate procedures and monitoring.

2010-12 MONITORING MAINTENANCE OF EFFORT

Responsible Party – Steve Korby and Angela Pittman

Corrective Action – Management will continue to use Educational Service Center (“ESC”) 12 Financial Benchmarking Tools to monitor Maintenance of Effort calculation on a semi-annual basis as recommended by ESC 12.

This finding was corrected through the development of appropriate procedures and monitoring.

2010-13 TRANSFER OF PERSONNEL BETWEEN FUNDS

Responsible Party – Steve Korby

Corrective Action – Management will continue to review and reconcile employee assignment and general ledger postings on a regular basis, document the resolution of all discrepancies and ensure that employee transfers are appropriately accounted for in the proper grants.

This finding was corrected through the development of appropriate procedures and monitoring.

2010-14 VERIFICATION OF FREE AND REDUCED PRICE LUNCH APPLICATIONS

Responsible Party – Dora Rivas

Corrective Action – Food and Child Nutrition Services has restructured the staff in the meal application processing department to include a professional level staff member to oversee the entire meal application process. Additionally, the application process has been modified to include a review of applications and verification of pertinent information.

This finding was corrected through the development of appropriate procedures and monitoring.

2010-15 CONSTRUCTION ACTIVITIES FINANCED BY THE AMERICAN RECOVERY AND REINVESTMENT ACT

Responsible Party –Gary Kerbow and Dora Rivas

Corrective Action – Food and Child Nutrition Services and the Purchasing Department will ensure that construction bids and contracts will contain “Davis-Bacon” and “Buy American” language, where appropriate. Additionally, the staff will receive adequate compliance training regarding these requirements.

This finding was corrected through the development of appropriate procedures and monitoring.

2010-16 ALLOWABLE COSTS IN TITLE I, PART A

Responsible Party – Steve Korby

Corrective Action –Management continues to work closely with Accounting Services, the Office of the Inspector General and TEA to resolve outstanding issues.

The District did not receive notice to the return any of the questioned amounts and more than 5 years has lapsed since the expenditure of the award, so according to the statute of limitations and 20 USC 1234a(k), the comment has been removed.
